

# Kuwait



## 2004 Country Review

**COUNTRY WATCH**

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# Acknowledgement

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# CountryWatch

## COUNTRYWATCH REVIEW 2004 EDITION

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# **Chapter 1**

## **Country Overview**

## Country Overview

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### Key Data

Region:	Middle East
Population:	1,984,000 October 2002
Total Area:	17,820 Sq. Km.
Total Land:	17,820 Sq. Km.
Coastline:	499 km
Climate:	Dry desert; intensely hot summers; short, cool winters.
Average Daily Temperature:	
Capital:	Kuwait
January:	17.9°C / 64.2
July:	45.1°C / 113.2
Annual Rainfall:	127mm / 5
Languages:	Arabic (official), English widely spoken
Currency:	1 Kuwaiti dinar (KD) = 1,000 fils
National Holiday:	National Day, 25 February (1950)
Capital City:	Kuwait
Boundaries:	Iraq: 242 km Saudi Arabia: 222 km
Largest Cities:	
City:	As-Salimiyah
Population:	144,800
Year:	2002
City:	Jalib-as-Suyuh
Population:	113,500
Year:	2002
City:	Hawalli



Population: 91,400  
Year: 2002

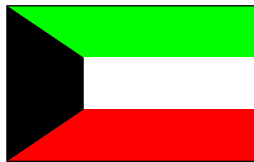
Ethnic Groups:

45%.....Kuwaiti  
35%.....Other Arab  
9%.....South Asian  
7%.....Other  
4%.....Iranian

Religions:

85%.....Muslim  
15%.....Christian, Hindu, Parsi, and other

Flag:



# Kuwait

## Country Map



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# Middle East

## Regional Map





## **Chapter 2**

# **Political Overview**

## Political Overview

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### History

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The earliest civilizations in the area of modern Kuwait were traced back to the third millennium B.C.E., when the ancient West Asian Sumer Kingdom extended over an area almost identical to the later biblical land of Babylon. In the third century B.C.E., Alexander the Great's soldiers conquered the island of Faylakah and built a temple to honor the god Artemis.

Kuwait's modern history began in the early 18<sup>th</sup> century with the founding of the city of Kuwait by the Anaiza tribe, led by the Sabah family, which had migrated from the interior to the Arabian shore of the Gulf. By 1756, under the Sabah ruling dynasty, settlers decided to appoint a sheikh to administer affairs and represent them in dealings with the strong Turkish Ottoman Empire.

Kuwait's first major contact with the West occurred between 1775 and 1779, when the British-operated East India Co.'s Persian Gulf-Aleppo Mail Service was diverted through Kuwait from Persian-occupied Basra in Iraq. With the increasing threat of raids from the Wahhabi sect of central Arabia and the desire for protection, a close relationship between Kuwait and Britain was forged.

During the 19<sup>th</sup>

century, Kuwait tried to obtain British support to maintain its independence from the Ottoman Empire and various, powerful Arabian Peninsula groups. In 1899, the ruler Sheikh Mubarak al-Sabah "the Great" signed an agreement with the United Kingdom, pledging himself and his successors neither to cede any territory nor to receive agents or representatives of any foreign power without the British government's consent. Britain agreed to grant an annual subsidy to support the sheikh and his heirs and to provide its protection. Kuwait then enjoyed special treaty relations with the U.K., which handled Kuwait's foreign affairs and was responsible for its security.

Mubarak was followed as ruler by his sons Jabir (1915-1917) and Salim (1917-1921). Subsequent emirs descended from these two brothers. Sheikh Ahmed al-Jabir al-Sabah ruled from 1921 until his death in 1950, and Sheikh Abdullah al-Salim al-Sabah from 1950 to 1965. By early 1961, the British had withdrawn their special court system, which handled the cases of foreigners residing in Kuwait, and the Kuwaiti government began to exercise legal jurisdiction under new laws drawn up by an Egyptian jurist. On June 19, 1961, Kuwait became fully independent, following an exchange of accords with the United Kingdom.

The boundary with Saudi Arabia was set before independence, in 1922, with the Treaty of Uqair, following the Battle of Jahrah. This treaty also established the Kuwait-Saudi Arabia Neutral Zone, an area of about 5,180 square kilometers, or 2,000 square miles, adjoining Kuwait's southern border. In

December 1969, Kuwait and Saudi Arabia signed an agreement dividing the area that is now called the Divided Zone and demarcating a new international boundary. Both countries equally share the Divided Zone's petroleum, on shore and off. In July 2000, an agreement delineating the maritime borders between Kuwait and Saudi Arabia was signed by both countries' legislative bodies.

Kuwait's northern border with Iraq dates from an agreement with Turkey in 1913. Iraq accepted this claim in 1932 upon its independence from Turkey. Following Kuwait's independence in 1961, however, Iraq claimed Kuwaiti territory, based on the understanding that Kuwait had been part of the Ottoman Empire subject to Iraqi suzerainty. In 1963, Iraq reaffirmed its acceptance of Kuwaiti sovereignty and recognized the boundary previously agreed upon in 1913 and 1932, in the "Agreed Minutes Between the State of Kuwait and the Republic of Iraq Regarding the Restoration of Friendly Relations, Recognition and Related Matters."

Despite this assent, in August 1990, Iraq invaded Kuwait. It was subsequently forced out of Kuwait seven months later by a U.S.-led international military alliance. Following the liberation of Kuwait, the United Nations, under Security Council Resolution 687, demarcated the Iraq-Kuwait boundary on the basis of the 1932 and the 1963 agreements between the two states.

Although the demarcation is final and reaffirmed under Chapter VII of the U.N. Charter by U.N. Security Council Resolution 833, Iraq refused to accept the present borders and continued to make claims to Kuwait. Although a subsequent agreement signed in 2002 assures Kuwait that Iraq would not repeat the 1990 invasion, formal resolution on the U.N. resolution is still pending.

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## Government Functions

The Sabah family has ruled the state of Kuwait since 1751. The 1962 constitution contains detailed provisions on the powers and relationships of the branches of government and rights of citizens.

Upon the death of an emir, the crown prince assumes his position. A new crown prince is then selected by members of the Sabah family from among the direct descendants of Mubarak the Great. The choice of crown prince usually alternates between the Jabir and Salim lines (Mubarak's two sons), with the exception of 1965, when Sheikh Sabah al-Salim al-Sabah succeeded his brother Sheikh Abdullah al-Salim al-Sabah. Under the constitution, the designation is subject to the approval of the National Assembly. Since independence, successions have been without incidence both in 1965 and 1977.

The Sabah family has traditionally assigned key cabinet positions to members of the extended family. Although the emir maintains the final word on most government policies, the National Assembly plays

a real role in decision-making, with powers to initiate legislation, reject decrees issued by the emir, question government ministers and express lack of confidence in individual ministers. Five of the elected National Assembly members are selected to serve as cabinet ministers.

During the seven-month occupation by Iraq, the emir, the government and many Kuwaitis took refuge in Saudi Arabia or other nations. The emir and the government successfully managed Kuwaiti affairs from Saudi Arabia, London and elsewhere during the period, relying on substantial Kuwaiti investments available outside Kuwait for funding and war-related expenses. The emir's return after the liberation in February 1991 was smooth.

On July 13, 2003, Kuwait Emir Sheik Al-Sabah announced the formation of a new government led by his brother -- Prime Minister Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah. Sheikh Sabah supports privatization and globalization and is reportedly eager to improve relations with other Arab nations, including those that supported the 1990. The announcement was an historical one because it marks the first time since Kuwait's independence that the prime minister has not also been crown prince -- the separation of the two roles has been a major demand of reformers.

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## Government Structure

### **Names:**

*conventional long form*

"Dawlat al-Kuwayt" (State of Kuwait)

*conventional short form*

"al-Kuwayt" (Kuwait)

### **Type:**

nominal constitutional monarchy

### **Executive Branch:**

#### Chief of State:



Emir Jabir al-Ahmad al-Jabir al-Sabah (since Dec. 31, 1977) is a hereditary monarch of the Mubarak line of the ruling Sabah family

Head of Government:

Crown Prince Saad al-Abdallah al-Salim al-Sabah (since Feb. 8, 1978)

Prime Minister Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah (appointed by the emir on July 13, 2003, representing the first time since Kuwait's independence that the prime minister has not also been crown prince)

First Deputy Prime Minister Sabah al-Ahmad al-Jabir al-Sabah (since Oct. 17, 1992),

Second Deputy Prime Minister Nasir Abdallah al-Rudan (since N.A.) were appointed by the emir.

Cabinet:

Council of Ministers was appointed by the prime minister and approved by the emir.

Note: All cabinet ministers are also ex-officio members of the National Assembly.

**Legislative Branch:**

unicameral "Majlis al-umma" (National Assembly):

Consists of 50 members, elected to serve four-year terms, in double-seat constituencies.

Elections:

Last held July 3, 1999 (next to be held in 2003)

Election results:

Percent of vote: 80 percent

Seats (50 total):

Pro-government candidates, 20

Islamic fundamentalists, 10

Liberals and independent, 20

**Judicial Branch:**

High Court of Appeal

**Constitution:**

approved and promulgated Nov. 11, 1962

**Legal System:**

Civil law system with Islamic law significant in personal matters; has not accepted compulsory ICJ jurisdiction

**Administrative Divisions:**

Five governorates (muhafazat, singular: muhafazah); al-Ahmadi, al-Jahrah, al-Asimah, Hawalli, al-Farwaniyah

**Political Parties and Leaders:**

None.

Note:

There are no political parties in Kuwait since they are prohibited; candidates to the National Assembly are categorized according to ideological orientation. However, the following informal political groups act very much like political parties:

The Kuwait Democratic Forum (secular, liberal, pan-Arabia nationalists)

The Islamic Constitutional Movement (Sunni Muslim Brotherhood)

The Islamic Popular Movement, "Salaf" (Sunni Islamists)

The National Islamic Coalition (Shiite Islamists)

The Constitutional Bloc (representative of merchant families)

**Suffrage:**

adult males naturalized for 30 years or more, or those who have resided in Kuwait since before 1920, and their male descendants at age 21.

**Note:**

Only a minority of all citizens (about 10 percent to 15 percent) is eligible to vote. Since 1996, naturalized citizens who did not meet the pre-1920 qualification but who have been naturalized for 30 years have been considered eligible.

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## Political Conditions

Kuwait experienced an unprecedented era of prosperity under Emir Sabah al-Salim al-Sabah, who died in 1977 after ruling 12 years. Under his successor, Emir Jabir Ahmed al-Jabir al-Sabah, the oil-rich country has been transformed into a highly developed welfare state with a free market economy.

Kuwait's first National Assembly was elected in 1963, with follow-up elections in 1967, 1971 and 1975. From 1976 to 1981, the National Assembly was suspended. Following elections in 1981 and 1985, the National Assembly was again dissolved. Fulfilling a promise made during the period of Iraqi occupation, the emir held new elections for the National Assembly in 1992.

While no political parties technically exist in Kuwait, there are groupings such as extended families or religious affiliations that play an important political role. The ideological representation in the Kuwaiti National Assembly is broad, with a majority of the 1992 Assembly members considered "opposition" in their orientation.

Following establishment of the 1992 National Assembly, a commission of inquiry was set up to examine circumstances surrounding the 1990 invasion by Kuwait. In 1993, a law on the disclosure of accounts to the auditor-general was established to curb financial corruption. Later that year, the prime minister disclosed the financial budget, including defense spending, for the first time.

In 1994, various officials, including the former minister of finance and oil, were brought to trial on charges of embezzlement. That year, the prime minister submitted the resignation of his government and named a new administration. In 1995, a parliamentary report alleged widespread waste and corruption in defense expenditures. In 1996, related court decisions were made, and three of four former officials were found guilty of corruption.

In terms of national policies, Kuwait enacted certain measures following the Gulf War to reduce the number of non-Kuwaiti residents. One of the changes involved voting. At the time of the war, only a small minority of citizens - 10 percent - were eligible to vote, most of those descendants of the original settler tribes. For others, a qualification clause restricted anyone from voting who was not naturalized prior to 1920. However, in 1995, the National Assembly sought to increase the electorate by approving an amendment to the 1959 nationality law that would allow sons of naturalized Kuwaitis to vote. It took effect in 1996, allowing citizens to vote if naturalized for at least 30 years.

Domestic political life in Kuwait has been shaped by conflicts between the executive and legislative powers. Traditionally, the Sabah family controls key ministries such as defense, finance, interior and foreign affairs. Critique of the government and corruption in particular, has therefore hit the ruling Sabah family hard. When opposition has been too fierce, the emir has dissolved the parliament.

Another source of opposition has come from Islamic and tribal groups. In 1998, the emir shuffled the cabinet, largely because of dissent throughout the government and cabinet as a result of the publication and eventual banning of books regarded as "un-Islamic."

In 1999, conflict ensued between members of the National Assembly and the government. This was due to the state-published edition of the Holy Koran, which apparently contained misprints and omissions of verses. The minister of religious affairs was accused of distorting and defacing the faith of Muslims by allowing the circulation of copies of this controversial edition of the book. By mid-1999, the parliament of Kuwait was dissolved, a nonconfidence vote was scheduled for the minister of religious affairs, new elections were scheduled for July 3, 1999, and the country reportedly plunged into a state of shock over the political dissonance.

A significant legislative move was taken after the emir approved women's right to vote and run for parliament. The topic remained a hot issue in the election campaign, and the new parliament rejected the decree by a 41-21 vote Nov. 23, 1999. Even though opposition to women's voting is strong among Sunni fundamentalists, the majority of deputies voted against the proposed law on procedural grounds, saying the May 1999 decree did not fall under the emergency category.

The women's franchise bill continues in a central political role. On July 29, 2000, five liberal lawmakers reintroduced the bill to the National Assembly, and on Oct. 28, the emir opened the National Assembly's fall session with a pledge to boost the role of women. The current National Assembly is regarded as more liberal, and despite the opposition from Islamists and conservative tribal representatives, the decree is expected to stand, thus granting women the right to vote and run for parliament in 2003.

Since oil prices rebounded in late 1999, Kuwait has produced solid budget surpluses. The Kuwaiti government plays a dominant role in the local economy, and it is unclear if growth can continue in the long run without progress by the government in implementing economic reform measures, including privatization. Kuwait's petroleum-dependent economy is in need of diversification. However, the government's willingness to reform seems to fluctuate with oil prices.

The government faces considerable resistance to its efforts to reduce generous social benefits, which includes free health care and schooling, social allowances, subsidized housing and guaranteed employment for all Kuwaiti nationals. In February 2001, the government was reshuffled, and five young Western-educated members of the Sabah family gained posts in the 16-member cabinet. In March 2001, the government introduced a new economic package hoping to draw additional foreign investment. To reduce the dependency on high oil prices, the younger generation of the Sabahs will have to be more efficient reformers than their predecessors.

In February 2001, Kuwait celebrated 40 years of independence from Britain and the 10<sup>th</sup> anniversary of its liberation from Iraq. Despite the continued international presence in the region and the existence of no-fly zones, the Gulf War fallout ensued continuously. Bombing of Iraqi targets continue, and a war of words between Iraq and the United States gives rise to fear of a new confrontation. In July 2001, Iraq narrowly missed hitting an American U2 spy plane. In August 2001, U.S. and British fighter planes hit targets near Basra in southern Iraq, and Iraqi anti-aircraft defenses shot down an unarmed U.S. surveillance plane. Despite the external pressure, Iraq continued to make claims to Kuwait and presented a serious threat to Kuwait's security.

In the aftermath of Sept. 11, 2001, Iraq's attention seemed distracted away from Kuwait. In March 2002, however, at the Arab Summit, an agreement was signed stating that the Kuwaiti-Iraqi conflicts had been resolved satisfactorily to both countries. The agreement included new compromises by Baghdad, and significantly, an Iraqi promise that the 1990 invasion of Kuwait would not be repeated. Both countries stated that they anticipated normalized relations in the immediate future.

One year later, in the midst of a US-led war against Iraq, Kuwaitis were one of the few populations across the Middle East who did not take to the streets in protest despite their close ties with their Iraqi neighbors. There appeared to be mixed feelings among the Kuwaiti citizens; daily blood donations doubled during the time despite the knowledge that recipients could more than likely be Iraqis. On the other hand, Kuwait's suffering at the hands of Saddam Hussein could explain the lack of locals willing to openly criticize the war.

The recollection of the vicious months of martial law imposed on Kuwait following the liberation in 1991 may have influenced many to not voice their concerns.

From February to June 1991, the returning Kuwaiti administration - according to Amnesty International - "arbitrarily arrested" 1,000 people and performed "extrajudicial executions" in a bid to root out and punish those deemed to have collaborated with the invaders. While Kuwait's human rights record has improved since 1991, it still requires great courage to question the government's stance on Iraq.

Kuwait was considered the strongest regional supporter of US plans to topple Iraqi leader Saddam Hussein - despite unanimous Arab League statements vigorously opposing unilateral military action.

By October 2002, there were close to 10,000 fully equipped US troops in the country. However, relations between Kuwait and the US were strained during that time when two gunmen killed an American marine. The gunmen were later linked to al-Qaida. In November, relations were further strained when two American soldiers were shot and wounded in Kuwait in the fifth known incident involving U.S. soldiers since October 2002.

Despite Kuwait's being viewed as a "launching pad" for the war, the country's government showed its support to its Iraqi neighbor in various ways. In mid-April 2003, Kuwait sent its fifth batch of aid to the southern Iraqi city of Basra, including foodstuff, oxygen cylinders and water.

Also, the Kuwait Red Crescent Society (KRCS) coordinated with the Red Crescent Societies of Saudi, Qatari and the United Arab Emirates by allowing them to provide aid to the Iraqi people by crossing through Kuwait. KRCS added that it would send additional humanitarian relief to Iraqi people who are in need. As well, the Kuwaiti Society for Joint Relief and the Humanitarian Operations Center sent, during one week in early April, 41 trucks loaded with 472,000 bottles of drinking water, and 201,400 meals to southern Iraqi cities.

A major breakthrough in the relations between the two countries came on April 23, 2003, when the Kuwaiti Commerce Ministry it would open up exports to Iraq without any restriction. Any businessman will be allowed to export foodstuff or other goods to Iraq, according to the new guidelines. The ministry said the move is in line with its priorities to boost Kuwait's trade sector and remove any obstacles facing the flow of exports and imports.

International and regional issues aside, however, Kuwait is faced with a domestic political crisis. In January 2002, its oil minister, Adel al-Subaih, resigned after a major oilfield fire and explosion at the Rawdatayn plant. Kuwait is one of the world's major exporters of oil and as such, this ministerial portfolio is paramount to the country's state of affairs. With a number of potential candidates declining acceptance of the position, the current acting minister, Ahmad Fahd al-Sabah, who was until recently the information minister, has been left in this position pending parliamentary elections in June 2003.

The repercussions from the oilfield explosion and the associated unsuccessful search for a new oil minister has revealed disturbing failures in Kuwait's political system. Specifically, the oilfield explosion is not an isolated event in Kuwait (another two serious explosions occurred in 2000, and several less serious accidents have occurred since then). Paramount among the reasons proposed for these incidences is the feeling that the government and oil industry have filled senior posts with their own supporters, most of whom are unsuitable and unqualified for these positions, and who, ultimately are remiss in the enforcement of safety procedures, and prevent a climate of transparency in the award of government contracts. In the background of these charges is the reality that most of Kuwait's ruling family is aging and has become less involved in governmental affairs. Their lack of involvement is

highly exacerbated by their seemingly poor governmental appointments. Meanwhile, the ruling family shares a sometimes acrimonious relationship with members of parliament, who demand greater power and responsibility, yet remain subordinate to less-qualified government ministers.

In the end, critics have likened Kuwait's situation to that of Nigeria, which shares the dubious distinction of being the developing world's most corrupt regime. The situation has highlighted three major issues in Kuwait: (1) the failure of effective decision-making at high-ranking levels; (2) the resulting power vacuum; (3) the disenchantment felt by the Kuwaiti public as a consequence of these matters. Charges of corruption and incompetence are rampant, and, indeed, some political voices have gone so far as to make hyper-dramatic declarations that without significant structural reforms, the country is doomed to collapse.

On July 13, 2003, Kuwait Emir Sheik Al-Sabah announced the formation of a new government led by his brother -- Prime Minister Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah. Sheikh Sabah supports privatization and globalization and is reportedly eager to improve relations with other Arab nations, including those that supported the 1990. The announcement was an historical one because it marks the first time since Kuwait's independence that the prime minister has not also been crown prince -- the separation of the two roles has been a major demand of reformers.

Sheikh Sabah was already the country's de facto leader, as both the emir and the crown prince, his cousin Sheikh Saad al-Abdullah al-Sabah, are in poor health. All three men are in their seventies.

Observers say that the decision to split the roles of crown prince and prime minister indicates that the emir is listening to the reform camp. Meanwhile, some argue it opens the way to one day appointing a prime minister from outside the royal family.

Kuwait's ruling family has been under intense pressure - particularly from the US - to loosen its grip on power. However, reformists campaigning for more accountability and political freedom were dealt a blow at elections earlier in the month, when Islamists and traditionalists gained seats. In addition to a new prime minister, the new government includes 14 newly-appointed ministers for different posts.

-- July, 2003

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## Foreign Relations

### General Relations

Kuwait enjoyed massive regional and global support during and after the Gulf War and continues to maintain good relations with most regional countries, with the exception of Iraq until very recently. Kuwait is a member of the United Nations, the Arab League, the Organization of Islamic Conferences and the Organization of Petroleum Exporting Countries.

### Regional Relations

Following independence in June 1961, Kuwait faced its first major foreign policy problem arising from Iraqi claims to Kuwait's territory. The Iraqis threatened invasion but were dissuaded by the Britain's ready response to the emir's request for assistance. Kuwait presented its case before the United Nations and preserved its sovereignty. U.K. forces were later withdrawn and replaced by troops from Arab League nations, which were withdrawn in 1963 at Kuwait's request.

On Aug. 2, 1990, Iraq invaded and occupied Kuwait. A multinational coalition, directed by the United States and under U.N. auspices, initiated military action against Iraq to liberate Kuwait. Arab states, especially the other five members of the Gulf Cooperation Council - Saudi Arabia, Bahrain, Qatar, Oman and the United Arab Emirates - Egypt and Syria supported Kuwait by sending troops to fight with the coalition. Many European and East Asian states sent troops, equipment or financial support.

After liberation, Kuwait concentrated its foreign policy efforts on development of ties with states that participated in the multinational coalition. Notably, these nations were given the lead role in Kuwait's reconstruction. Conversely, Kuwait's relations with those countries that supported Iraq, among them Jordan, Sudan, Yemen and Cuba, remain strained or nonexistent. The support of Iraq's Saddam Hussein during the war by Chairman Yassir Arafat of the Palestine Liberation Organization also affected Kuwait's attitudes toward the group and its peace process with Israel. Nevertheless, Kuwait has taken a staunch pro-Palestinian position in the Israeli-Palestinian violence and contributed \$150 million to a \$1 billion Arab League Fund established in October 2000. Kuwait also treated several wounded Palestinians in Kuwaiti hospitals.

The Kuwaiti-Iraqi relationship remained tense more than 10 years after the Gulf War. Iraq refused to accept the United Nations-demarcated border and frequently accused Kuwait of border violations and theft of oil. The United States and the United Kingdom participated in aerial bombing Iraq for non-compliance with U.N. Security Resolutions 687 and 833. In order to facilitate the bombardment campaign, Kuwait as well as Saudi Arabia allowed U.S. and U.K. aircraft to use bases within their territories from which to attack. As such, Iraq submitted a complaint to the Arab League, saying Kuwait and Saudi Arabia were both in flagrant violation of the Arab League Charter.

Another source of problems between Kuwait and Iraq concerned an estimated 26,000 stateless Bedouins who moved from Kuwait to Iraq during the Gulf War. In November 2000, several hundred families staged a sit-in in the demilitarized zone between the two countries demanding the right to return to Kuwait and creating fear that violent clashes might erupt along the Iraqi-Kuwaiti border.



Despite the continued international presence in the region and the enforcement of the no-fly zones, the Gulf War fallout continues. Ongoing bombing of Iraqi targets and a war of words between Iraq and the United States gives rise to fear for a new confrontation. In July 2001, Iraq narrowly missed hitting an American U2 spy plane. In August 2001, American and British fighter planes hit targets near Basra in southern Iraq, and Iraqi anti-aircraft defenses shot down an unarmed U.S. surveillance plane. Iraq continued to make claims to Kuwait and presented a serious threat to Kuwait's security. Another contentious issue arising from the Gulf War is the unknown whereabouts of 600 prisoners of war, whom Kuwait claims are still in Iraqi detention.

The ongoing Palestinian-Israeli conflict and America's strong support for Israel has strengthened Arab unity, and Iraq has improved ties with several key Arab countries. Kuwait also has improved relations with several key Arab countries, including Jordan and Syria, which maintain close connections to Iraq. Jordanian-Kuwaiti ties were restored when King Abdullah visited Kuwait in September 1999 and again in May 2001 to boost bilateral ties. During the king's visit, Jordan and Kuwait signed a labor cooperation agreement. In August 2001, Syrian President Bashar al-Assad visited Kuwait to promote relations.

Iran and Kuwait did not demarcate the maritime border in the northern Gulf, although Kuwait and Saudi Arabia signed an agreement in July 2000. The area, which includes the oil field al-Dorra, is claimed by Iran, Kuwait and Saudi Arabia.

In late August 2001, Kuwait sent letters to U.N. Secretary-General Kofi Annan and Security Council President Alfonso Valdiviezo, drawing attention to continuous Iraqi statements against Kuwait's sovereignty, security and independence. Concern over Baghdad's intentions was rising. However, with the regional climate poisoned by the Israeli-Palestinian conflict, an American attack would likely stoke Arab anger.

In the aftermath of Sept. 11, 2001 attacks in the U.S., Iraq has shifted its attention away from Kuwait. As of March 2002, however, at the Arab Summit, an agreement was signed stating that the Kuwaiti-Iraqi conflicts had been resolved satisfactorily to both countries. The agreement includes new compromises by Baghdad, and significantly, an Iraqi promise that the 1990 invasion of Kuwait would not be repeated. Both countries have stated that they anticipate normalized relations in the immediate future.

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A major breakthrough in the relations between the two countries came on April 23, 2003, when the Kuwaiti Commerce Ministry it would open up exports to Iraq without any restriction.

Any businessman will be allowed to export foodstuff or other goods to Iraq, according to the new guidelines. The ministry said the move is in line with its priorities to boost Kuwait's trade sector and remove any obstacles facing the flow of exports and imports.

In March 2003, Kuwait asked Libya's chargé d'affaires to leave the country. Kuwaiti officials also demanded that Libya reduce the number of diplomats at its embassy to three. Libya was asked to trim its diplomatic representation "to match the number of diplomats in the Kuwaiti mission in Tripoli." No explanation was offered by the Kuwaiti government but local papers had reported in earlier in the month that Libyan demonstrators stormed Kuwait's Embassy in Libya to protest Kuwait's hosting of US and British troops fighting in Iraq.

### Other Significant Relations

Since the conclusion of the Gulf War, Kuwait has made efforts to secure allies throughout the world, particularly U.N. Security Council members. In addition to the United States, defense arrangements

have been concluded with the United Kingdom, Russia and France. Close ties to other key Arab members of the Gulf War coalition, including Egypt and Syria, have also been sustained. In September 2000, all 15 members of the U.N. Security Council accepted Kuwait's \$15.9 billion compensation claim against Iraq.

Regional opposition to American and Western military presence has taken violent forms. In the wake of the suicide bombing of the USS Cole destroyer in the Yemeni port of Aden in October 2000, Kuwaiti authorities arrested several people for planning military attacks on American military installations. Kuwait hosts 4,500 U.S. troops. In March 2001, a U.S. F-18 jet fighter there dropped a bomb by mistake in a live-fire exercise, killing one New Zealander and five U.S. military observers. In April 2001, the commander in chief of the U.S. Central Command met with the Kuwaiti deputy prime minister and the defense minister to review the regional situation.

By October 2002, there were close to 10,000 fully equipped US troops in Kuwait preparing for a potential military attack against Iraq. However, relations between Kuwait and the US were strained during that time when two gunmen killed an American marine. The gunmen were later linked to al-Qaida. In November, relations were further strained when two American soldiers were shot and wounded in Kuwait in the fifth known incident involving U.S. soldiers since October 2002.

As the Palestinian-Israeli conflict heated up in 2002 and 2003, Kuwait, like many Arab countries, has supported Palestinian interests. Whereas the Gulf War in 1991 divided Arab leaders and loyalties, this geopolitical challenge galvanizes pan-Arab allegiances instead.

May, 2003

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## Principal Government Officials

Amir

**Sabah, JABIR**, al-Ahmad al-Jabir Al  
Prime Min.

**Sabah, SABAH**, al-Ahmad al-Jabir Al  
First Dep. Prime Min.

**Sabah, NAWWAF**, al-Ahmad Al  
Dep. Prime Min.

**Sabah, JABIR MUBARAK**, al-Hamad Al  
Dep. Prime Min.

**Sharar**, Muhammad Dayfallah al-  
Min. of Communications

**Sabah, AHMAD ABDALLAH**, al-Ahmad Al  
Min. of Defense  
**Sabah, JABIR MUBARAK**, al-Hamad Al  
Min. of Education & Higher Education  
**Hamad**, Rashid Hamad Muhammad al-  
Min. of Electricity & Water  
**Sabah, AHMAD FAHD**, al-Ahmad Al  
Min. of Finance  
**Nuri**, Mahmud Abd al-Khalid al-  
Min. of Foreign Affairs  
**Sabah, MUHAMMAD**, al-Sabah al-Salim Al  
Min. of Health  
**Jarallah**, Muhammad Ahmad al-, *Dr.*  
Min. of Information  
**Abul Hasan**, Muhammad Abdallah Abbas  
Min. of Interior  
**Sabah, NAWWAF**, al-Ahmad Al  
Min. of Justice  
**Baqr**, Ahmad Yaqub  
Min. of Oil  
**Sabah, AHMAD FAHD**, al-Ahmad Al  
Min. of Public Works  
**Humaydi**, Badr Nasir al-  
Min. of Religious Endowment & Islamic Affairs  
**Matuq**, Abdallah al-  
Min. of Social Affairs & Labor  
**Sabah, MUHAMMAD**, al-SABAH al-Salim Al  
Min. of Trade & Industry  
**Tawil**, Abdallah Abd al-Rahman al-  
Min. of Transportation & Planning  
**Sabah, AHMAD ABDALLAH**, al-Ahmad Al  
Min. of State for Administrative Development Affairs (Acting)  
**Harun**, Musaid Rashid Ahmad al-  
Min. of State for Amiri Diwan Affairs  
**Sabah, NASIR**, Muhammad Ahmad Al  
Min. of State for Cabinet Affairs  
**Sharar**, Muhammad Dayfallah al-  
Min. of State for Housing Affairs  
**Humaydi**, Badr Nasir al-  
Min. of State for National Assembly Affairs  
**Sharar**, Muhammad Dayfallah al-  
Speaker, Parliament  
**Khurafi**, Jasim al-  
Governor, Central Bank  
**Sabah, SALIM**, Abd al-Aziz Saud Al  
Ambassador to the US  
**Sabah, SALIM**, al-Abdallah Jabir Al  
Permanent Representative to the UN, New York  
**Mulla**, Nabila Abdallah al-

Last Updated: 2/3/04

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## Leader Biography

CROWN PRINCE & PRIME MINISTER OF KUWAIT



H.H. Sheikh Saad Al-Abdallah Al-Salem Al-Sabah

Date of Birth:	1930
Place of Birth:	Kuwait
Civil Status:	Married
Children:	One son, four daughters
Interests:	Fishing, photography, gardening
Education:	Kuwait government schools  1951 Hendon Police College, UK  1951-1954 Various graduate courses in police and security affairs
Previous Positions:	1959-1961 Deputy Director, Police and Public Security Department  1961 Director, Police and Public Security Department  1962 Appointed Interior Minister  1964

## Appointed Defense Minister

## Present Positions:

1978-Present

Crown Prince and Prime Minister

President of the Supreme Defense Council

President, Supreme Petroleum Council

1978-Present

President, Civil Service Commission

President, Higher Housing Council

CountryWatch.com

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**Defense Forces**

Kuwait Defense Forces Military Strength/Expenditures					
	1997	1998	1999	2000	2001
Expenditures (USD 1997 Millions)	3,973	3,618	3,631	3,275	3,695
Armed Forces (1000 persons)	15	15	15	15	15

## **Chapter 3**

# **Economic Overview**

## Economic Overview

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### Economic Conditions

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#### Overview

Kuwait, a small Persian Gulf nation possessing the world's fifth largest national oil resource base (some 96.5 billion barrels of proven reserves, about nine percent of global proven reserves), quite naturally has an oil-centered economy. In 2002, the country produced close to 2.0 million barrels daily, roughly in compliance with OPEC quotas, but substantially less than its estimated production capacity of 2.7 million barrels per day. Along with Saudi Arabia and the U.A.E., Kuwait is one of a select group of oil-producing nations having significant excess oil production capacity. Kuwait has plans to raise capacity to four million barrels per day by the middle of this decade. But, given the large investments that will be required, achievement of those plans will require significant changes in the way Kuwait has allowed international oil companies to participate in the industry. And, plans to significantly increase oil output also depend upon OPEC quotas, and especially how output from Russia affects demand for OPEC oil. Under 2003 market conditions and quotas (Kuwait's is 1.96 million bbl/day), Kuwait is producing at only about 75 percent of capacity.

Despite political uncertainties in the region, economic recovery from the Iraqi invasion and subsequent Gulf War in 1990-91 was essentially complete by the late 1990s. At the conclusion of the war, 800 of Kuwait's 950 oil wells had been sabotaged, including 600 that were on fire. The country lost 1.1 billion barrels of oil as a result of the war, some of which was not burned but diverted from ruptured pipelines into low-lying areas and dry lakebeds in the desert, where it is theoretically but uneconomically recoverable. Restoration of production, however, proceeded swiftly. Oil output rose from 100,000 barrels per day (b/d) in mid-1991 to 500,000 b/d at the end of that year. The pre-war level of 1.5 million b/d was reached in mid-1992 and just three months later oil production surged to a new high of two million barrels daily. Similarly, the large part of the country's economic infrastructure, including its oil port which was destroyed or badly damaged in the Gulf War had been pretty well restored by decade's end.

A majority of the resident population are foreign nationals, mostly workers from other Arab countries, South Asia and East Asia. In the aftermath of the Gulf War, hundreds of thousands of foreign workers were expelled, in particular some 400,000 Palestinians because of their alleged sympathies toward Iraq. Shortly thereafter, Kuwaiti officials announced their intent to reduce the reliance on foreign workers and raise the percentage of Kuwaiti nationals in the country's labor force. Accomplishing such a shift, however, has proven infeasible. The Kuwaitis are reluctant to take menial jobs, and more than 90 percent of Kuwaitis who have jobs are employed by the government and its state owned companies. But, the wages paid to low-level workers in Kuwait are attractive to a vast and eager labor pool from both the region and from poorer countries in many parts of the world. So, 90 percent of the private sector workforce is considered expatriate, and more than 90 percent of jobs held by Kuwaitis are in state-owned enterprises. This obviously complicates the prospects for privatization and reform of the state enterprise sector. For now, the government has set a goal of having private firms hire Kuwaiti citizens for at least 10 percent of their staff.



Revenues from its huge oil fields enable Kuwait to provide its people with one of the most comprehensive networks of social and health services in the world. Maintaining this network is costly, however, and it became especially difficult after the successive blows of the invasion and war followed by years of relatively low oil prices. The government had to expend about half of its total foreign exchange reserves in the aftermath of the war, as it sustained the direct costs of repairing physical damage and also covered all debts incurred by displaced Kuwaitis. During the 1990s, recurrent public budget deficits prompted a gradual process of fiscal rationalization and modest economic restructuring. But, as oil prices have risen following effective OPEC action to restrict supply in 1999 and various disruptions to oil output have kept prices high since then, fiscal surpluses, large ones, have been the norm and they have removed some of the pressure for reform. The continuing pressure on the government to provide economic opportunities for Kuwaitis keeps reform of state owned companies and development of the non-oil economy high on the government's list of things to accomplish.

Nonetheless, today, the economy remains highly managed from the center: foreign corporations participate in Kuwait's oil industry on a fee-for-service rather than concession basis (implying that Kuwait reaps all the profits from production but must put up all the investment required for development, production and export of oil), and public sector entities directly account for a large share of all activity. Included in this share of economic activity is employment of Kuwaiti citizens: as mentioned above, more than 90 percent of Kuwaitis work for the government or for state-owned companies and that fact represents both a significant budgetary drain in covering company deficits and a barrier to privatization to make the companies more cost-effective and efficient. And, the manner in which foreign oil companies can participate in the industry in Kuwait is not a trivial matter to adjust: the constitution forbids granting what might be construed as an ownership interest in national resources to any foreign entity and there is substantial opposition in the Kuwaiti parliament to making any change to that long-standing policy.

Plans to liberalize as well as diversify Kuwait's economy are under consideration, and to some extent being implemented, at least in terms of enabling legislation. But, anticipated privatizations are so far quite limited in scope. The government has proposed opening up foreign corporate participation in oil production via a mechanism called an "operating service agreement," which would not be a concessionary contract or joint venture but would provide a per-barrel fee to the corporate operator. The measure is a highly controversial political issue in Kuwait and has, so far, been blocked by opposition members of parliament. Some of this type of liberalized access to oil-derived profits would seem to be necessary for the government to achieve its announced objective of adding 1.5 million barrels of daily production capacity within this decade. With regard to diversification efforts, most ventures upcoming in the near future are oil-sector spin-offs. They include expansion of the petrochemical and fertilizer industries and utilization of natural gas produced in association with oil extraction. Much of the existing associated natural gas production is now flared; officials hope to redirect this valuable resource into electricity generation, which would free up the oil now burned at power plants for export.

At this stage, the government's resolve to really reform the economy by privatization and deregulation is in question. Certainly, some of the pressure for reform has been reduced by the higher oil price levels experienced since mid-1999; much higher revenues have resulted in big government surpluses as they have in past years when oil prices have been above US\$20 per barrel.

**Economic Performance:**

Following a contraction in 1999, real GDP growth in 2000 was again lackluster, coming in at just 1.4 percent, as outages in the refining sector partially offset increases in oil production amidst fast rising oil prices that year. Of course, in terms of nominal GDP, the Kuwaiti economy grew very rapidly in these years (17 percent in 1999 and 28 percent in 2000) as sharply higher oil prices increased the value of output in current prices. Realized oil prices averaging US\$25.70 per barrel, versus US\$16.73 in 1999, drove the expansion with oil production and related industries accounting for more than one-half of national output. In 2001, GDP fell 1.1 percent as OPEC oil production quota limitations cut output and the non-oil sector of the economy grew only slowly. In 2002, the economy expanded at just a 1.8 percent rate as oil output rose to meet unexpected disruptions in Venezuela and the non-oil sector continued to expand slowly.

The Kuwaiti dinar is managed in a band linked to a basket of industrial-nation currencies and is generally very stable; from the beginning of 2003, the government has been pegging it to the US dollar. In any case, over the past several years, the exchange value of the dinar has been about US\$1 = Dinar .3. Annual consumer inflation topped nine percent amid wartime disruption at the beginning of the past decade, when oil production ceased and national business was conducted in absentia, but has been very low since 1992. As the recent increase in oil revenues triggered additional demand, consumer prices have risen at very low rates in the two percent per year range in recent years, although inflation as measured by the GDP deflator was much higher in 1999 and 2000 and in 2002 due to the large and volatile changes in the price of oil and the large component it represents in total GDP.

Fiscal surpluses have been very large in the past several years as oil prices have remained comfortably above US\$20/bbl. And, some 10 percent of oil revenues have been deposited in the country's Reserve Fund for Future Generations which now has assets reportedly well above US\$50 billion. The Reserve fund is intended to provide a source of income for Kuwaiti citizens after its oil reserves are depleted. But, with a population of just two million, reserves of 100 million barrels and current production of two million barrels/day, reserve depletion is more than a century in the future.

**Balance of Payments:**

The 1990-91 war and its aftermath had major financial consequences. The government's monetary reserves were depleted, while public budget deficits --which had already begun to appear in the 1980s, as Kuwait was both pushed to provide mandated social welfare programs and pulled by weakening international oil prices--widened. Recent strength in the international price of oil has boosted the country's fiscal and external positions along with its general economy.

Total 2002 goods exports by value actually fell to US\$15.4 billion from US\$16.1 billion in 2001 and a record US\$19.5 billion in 2000, but still were substantially larger than exports of US\$12.3 billion in 1999 and just US\$9.6 billion in 1998 when oil prices hit their cyclical nadir. Goods imports have averaged about US\$7 billion over the past three years so the country's trade surplus has grown significantly from less than US\$2 billion in 1998 to US\$8-9 billion in 2001 and 2002. Of course, within the merchandise trade account, Kuwait runs a huge surplus in oil and a large deficit in all other goods.

Kuwait's reliance on foreign service firms to run its petroleum sector implies that it runs a substantial deficit in the international services account of the balance of payments; over the past three years, Kuwait's net services payment deficit has averaged more than US\$3 billion annually. However, the country's long history of running current account surpluses based on oil-driven goods trade surpluses has given it a strong international net credit position so that it earns substantially more on foreign assets its government and citizens own than it pays out to foreign owners of assets in Kuwait. In recent years, the country's surplus on net factor income payments has averaged nearly US\$5 billion per year. The unilateral transfers account within the balance of payments is chronically in deficit due to the remittances of expatriate workers who send a portion of their earnings back to their home countries.

The country's estimated current account surplus in 2002 of just over US\$8.0 billion is equivalent to more than 20 percent of GDP, but that is down significantly from the current account surplus of US\$14.7 billion recorded in 2000 which was equivalent to more than 35 percent of GDP.

In the financial account, Kuwait's large current account surpluses normally imply a net outflow of capital as the excess foreign earnings from the current account are invested in assets abroad. These outflows are typically dominated by the acquisition of foreign debt securities as recorded in portfolio investment. Since the earnings from the current account accrue primarily to the government of Kuwait rather than to the private sector, it appears the government is more comfortable simply acquiring foreign bonds than investing in equities of foreign companies. In 2000, Kuwait bought foreign bonds worth almost US\$13 billion; in 2001, the smaller current account surplus meant the government had fewer excess funds to invest abroad, but it still purchased US\$7.3 billion of foreign bonds. No doubt much of Kuwait's "Future Generations' Fund" is invested in these foreign bonds. Overall, Kuwait's balance of payments (i.e. the sum of the current account surplus and the financial account deficit) has been in surplus in recent years, implying that Kuwait has been adding to its stock of gross official reserves. As of year-end 2002, Kuwait had foreign exchange reserves exceeding US\$9.2 billion, equivalent to well more than one year's imports.

### **Regional Situation:**

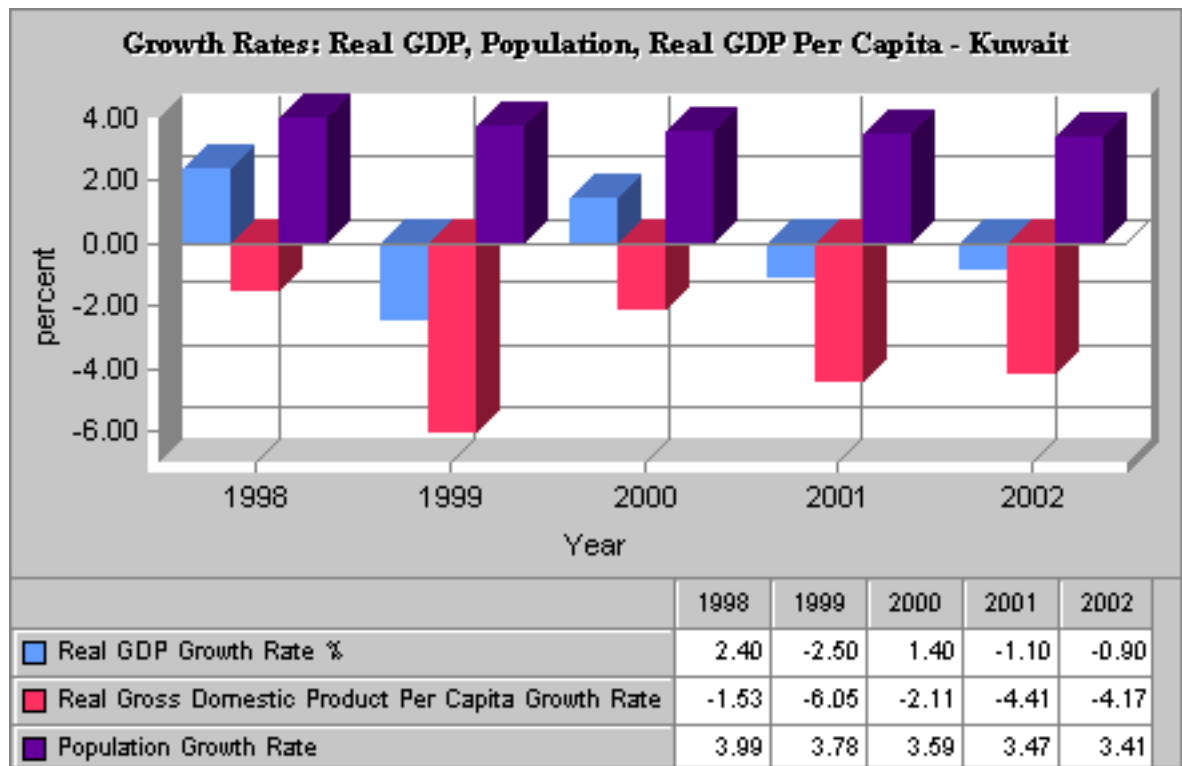
Kuwait's economy is so overwhelmingly dependent on oil production and exports that the world price of oil is the most important international factor affecting the country, assuming, of course, that the peace and physical security of the nation are not violated as they were in 1990-91 and that the oil shipping routes from the Persian Gulf are not disrupted. Kuwait's economy was not much affected by the 2003 war in Iraq, except that the U.S. led force staged and launched its assault from Kuwait and the loss of Iraqi oil output helped keep oil prices higher than anticipated during 2003. The regional security situation certainly has deteriorated in the past several years with the Israeli-Palestinian conflict intensifying, the United States' war on global terrorism inflaming passions in some segments of the Islamic world and continuing conflict in Iraq as the United States' coalition struggles to establish security there. The United States move militarily against neighboring Iraq in 2003 could have severely affected Kuwait's economy. Longer term, the impact of the war on the country depends upon the how it affects the stability of current regimes in the Persian Gulf region. Obviously, Kuwait is counting heavily on the United States' success in transitioning government in Iraq to a regime that will be friendly to Kuwait.

Assuming a state of military and political stability in the Persian Gulf, Kuwait intends to expand trade in natural gas with Iran to the northeast and Qatar to the southeast. Both neighboring countries have huge unexploited reserves of gas which Kuwait could use to replace oil it produces and consumes domestically, freeing up a lot more oil for export. Whether the gas pipelines required to make this sensible regional trade in natural gas possible depends upon the countries' ability to attract the funds to build the facilities amid the obvious political and military risks inherent in the area.

*July 2003*

## Macroeconomic Data

Kuwait Macroeconomic Activity Real GDP Per Capita (Purchasing Power Parity Method)					
	1998	1999	2000	2001	2002
Real GDP (Millions of 1995\$US)	42,429	41,369	41,948	41,486	41,113
Total Population (Millions-Mid Year Average)	1.835863	1.905246	1.973572	2.041961	2.111561
Real GDP Per Capita (1995\$US Per Capita)	23,111	21,713	21,255	20,317	19,470
*See appendix for sources and additional information.					

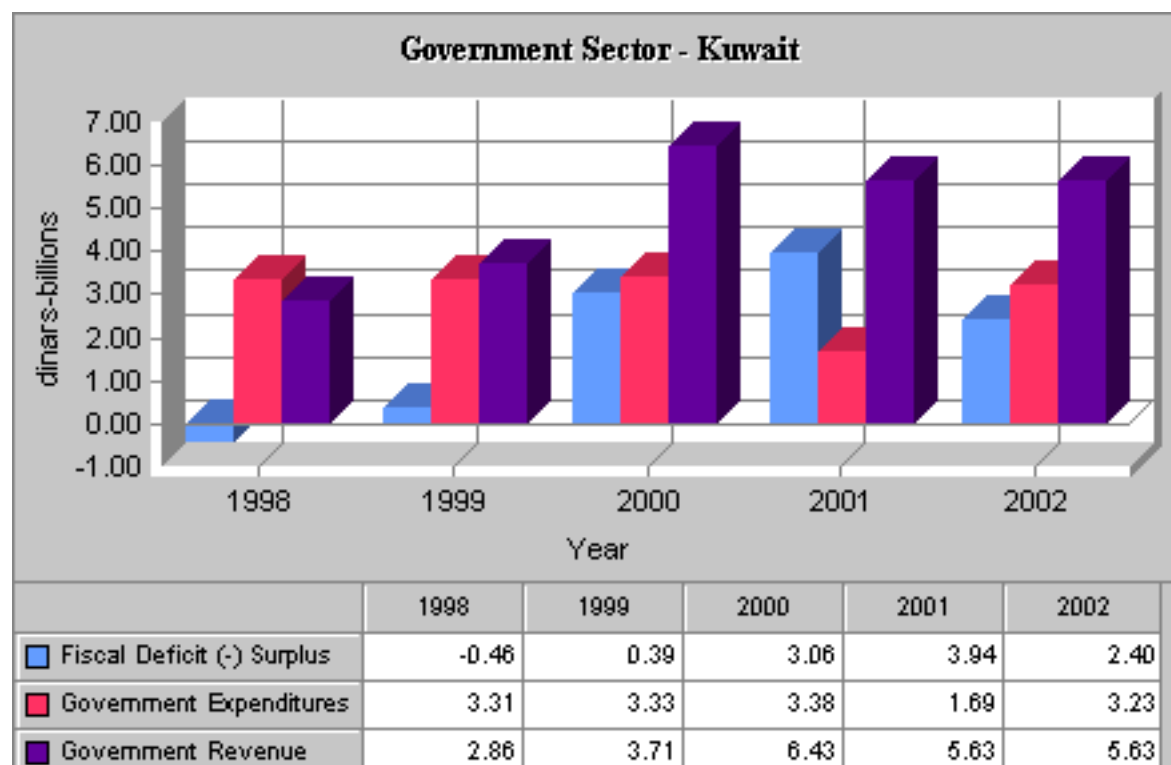


Kuwait Macroeconomic Activity GDP/Employment By Sector of Origin		
Sector	% GDP	% Employment
Agriculture	0	1.9
Industry	55	22.9
Services	45	75.2
Total	100%	100%
Year of Estimate	1996	1996
*See appendix for sources and additional information.		

<b>Kuwait</b> <b>Macroeconomic Activity</b> <b>Money Supply, Interest Rates and Foreign Exchange Reserves</b>					
	1998	1999	2000	2001	2002
Money Supply M1 (dinars-billions)	1.140	1.370	1.470	1.640	2.070
Money Supply - M2 (dinars-billions)	7.560	7.680	8.160	9.210	9.650
Growth Rate - M1 %	-8.3%	19.9%	7.0%	11.8%	25.9%
Growth Rate - M2 %	-0.8%	1.6%	6.3%	12.8%	4.7%
Interest Rates					
discount rate	7.00%	6.75%	7.25%	4.25%	3.25%
lending rate	8.93%	8.56%	8.87%	7.88%	6.48%
Foreign Exchange Reserves (\$US Millions)	3,947	4,824	7,082	9,897	9,208
*See appendix for sources and additional information.					

<b>Kuwait</b> <b>Macroeconomic Activity</b> <b>Prices and Exchange Rates</b>					
	1998	1999	2000	2001	2002
Consumer Prices Period Average 1995=100	104.4	107.5	109.5	111.3	112.8
Annual % Growth	0.2%	3.0%	1.9%	1.6%	1.4%
Exchange Rate Period Average dinars / \$US	0.3047	0.3044	0.3067	0.3067	0.3039
Annual % Growth	0.46	-0.11	0.77	-0.02	-0.91
*See appendix for sources and additional information.					

<b>Kuwait</b> <b>Macroeconomic Activity</b> <b>Gross Domestic Product</b> <b>dinars-billions</b>					
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Private Consumption	4.358	4.490	4.958	5.377	5.986
Gross Fixed Capital Formation	1.448	1.335	0.868	0.910	0.979
Increase/Decrease(-) in Stocks	0.000	0.000	0.000	0.000	0.000
Government Consumption	2.412	2.463	2.485	2.521	2.838
Exports of Goods & Services	3.468	4.212	6.534	5.490	5.184
Imports of Goods & Services	4.040	3.616	3.488	3.803	4.250
Gross Domestic Product	7.646	8.884	11.4	10.5	10.7
GDP Growth Rate (%)	-18.5%	13.9%	19.2%	-9.3%	-0.0%
*See appendix for sources and additional information.					



<b>Kuwait</b> <b>Macroeconomic Activity</b> <b>Trade Balance (Goods &amp; Services), National Income Products Account</b> <b>(\$US Millions)</b>					
	1998	1999	2000	2001	2002
Exports	11,380	13,836	21,301	17,901	17,058
Imports	13,257	11,879	11,371	12,400	13,985
Trade Balance	-1,877	1,958	9,930	5,501	3,073
*See appendix for sources and additional information.					



Kuwait Macroeconomic Activity Balance of Payments (Billions of \$US)						
	1997	1998	1999	2000	2001	2002
<b>Current Account Balance</b>	7.934	2.214	5.064	14.669	8.561	8.966 E
Goods and Services	3.164	-1.877	1.958	9.926	5.686	4.090 E
Net Investment Income	6.277	5.867	5.109	6.699	4.956	6.702
Net Current Transfers	-1.507	-1.776	-2.003	-1.956	-2.081	-1.826 E
<b>Capital and Financial Account</b>	-6.307	-2.841	-5.003	-11.090	-3.105	-6.388 E
<b>Net Errors and Omissions</b>	-1.622	0.885	0.859	-1.311	-2.553	0.000 E
<b>Overall Balance</b>	0.005	0.258	0.920	2.268	2.903	2.578 E
<b>Official Reserves Stock</b>	3.452	3.947	4.824	7.082	9.897	9.208
<b>Current Account (Percent of GDP)</b>	26.6%	8.8%	17.4%	39.6%	25.0%	25.4% E
*See appendix for sources and additional information.						

<b>Macroeconomic Activity</b> <b>Major Trading Partners</b> <b>(\$US Millions)</b>					
	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<u>Imports</u>					
United States	1,124	1,329	936	893	996
Japan	1,140	1,171	975	642	643
United Kingdom	527	506	435	574	566
Germany	613	601	586	567	735
Italy	490	498	444	341	426
<u>Exports</u>					
Japan	3,376	2,135	2,783	4,525	3,435
United States	1,816	1,337	1,410	2,698	2,010
Korea, South	1,589	1,208	1,287	2,469	2,046
Singapore	1,089	628	1,001	1,379	1,237
Netherlands	977	662	809	1,157	934
*See appendix for sources and additional information.					

## Key Sector Data

<b>Kuwait</b> <b>Key Sectors</b> <b>Agriculture/Food: Production of Primary Crops</b> <b>(Metric Tons)</b>					
Product	1998	1999	2000	2001	2002
BANANAS	0	0	0	0	0
BARLEY	2	2	2	2	2
COCOA BEANS	0	0	0	0	0
COCONUTS	0	0	0	0	0
COFFEE, GREEN	0	0	0	0	0
MAIZE	326	310	391	436	800
POTATOES	21,884	24,446	17,979	31,850	32,590
RICE, PADDY	0	0	0	0	0
SOYBEANS	0	0	0	0	0
SUGAR BEETS	0	0	0	0	0
SUGAR CANE	0	0	0	0	0
WHEAT	431	445	365	597	486
Total Production	24,425	27,378	20,814	35,363	37,002
Growth Rates (%)	-	12%	-24%	70%	5%
*See appendix for sources and additional information.					

<b>Kuwait</b> <b>Key Sectors</b> <b>Agriculture/Food: Production of Meat</b> <b>(Metric Tons)</b>					
Product	1998	1999	2000	2001	2002
Beef and Veal	2,080	1,600	1,600	1,760	1,620
Buffalo Meat	0	0	0	0	0
Camel Meat	528	290	470	400	400
Chicken Meat	36,913	38,988	32,964	42,182	42,750
Donkey Meat	0	0	0	0	0
Duck Meat	0	0	0	0	0
Game Meat	0	0	0	0	0
Goose Meat	0	0	0	0	0
Goat Meat	483	624	559	494	494
Horse Meat	0	0	0	0	0
Meat Nes	0	0	0	0	0
Mule Meat	0	0	0	0	0
Mutton and Lamb	38,000	38,000	35,700	32,000	34,000
Pig Meat	0	0	0	0	0
Rabbit Meat	0	0	0	0	0
Turkey Meat	0	0	0	0	0
Total Production	78,004	79,502	71,293	76,836	79,264
Growth Rates (%)	-	2%	-10%	8%	3%
*See appendix for sources and additional information.					

<b>World Key Sectors Agriculture/Food: World Agriculture Prices</b>						
Product		1998	1999	2000	2001	2002
Banannas	\$/mt	490.00	374.00	424.00	583.00	529.00
Barley	\$/mt	2	2	2	2	2
Beef	\$/mt	1,730.00	1,840.00	1,932.00	2,129.00	2,127.00
Chicken	\$/mt	3,703.77	2,513.27	1,997.39	2,358.06	2,462.87
Cocoa	\$/mt	1,680.00	1,140.00	906.00	1,069.60	1,778.00
Coconut Oil	\$/mt	658.00	737.00	450.30	318.10	421.00
Coffee	\$/mt	2,980.00	2,290.00	1,920.00	1,373.00	1,357.00
Fish Meal	\$/mt	662.00	393.00	413.00	486.70	605.90
Lamb	\$/mt	2,750.00	2,610.00	2,619.00	2,912.00	3,303.00
Maize	\$/mt	102.00	90.00	88.50	89.50	99.30
Pork	\$/mt	862.56	907.04	864.53	826.73	848.60
Potatoes	\$/mt	114.76	114.76	110.82	112.99	110.24
Rice	\$/mt	304.00	248.00	202.40	172.80	191.90
Soybeans	\$/mt	243.00	202.00	211.80	195.80	212.70
Sugar	\$/mt	490.00	470.00	427.60	470.50	461.40
Wheat	\$/mt	126.00	112.00	114.10	126.80	148.10
Wood(logs)	\$/mt	117.44	135.56	137.74	159.10	163.40
*See appendix for sources and additional information.						

<b>Kuwait</b> <b>Key Sectors</b> <b>Agriculture/Food: Agricultural Exports</b> <b>(\$1,000)</b>					
	1997	1998	1999	2000	2001
Meats and Meat Prep	2,174	2,226	1,773	1,387	1,387
Cereals & Preps	12,153	6,194	11,798	9,461	5,605
Dairy Products and Eggs	3,810	3,666	5,961	4,627	4,627
Fruits and Vegetables	9,014	9,139	10,769	10,204	10,204
Beverages and Tobacco	3,523	6,680	3,422	2,649	2,649
Other Agricultural Exports	3,015	3,360	4,320	2,898	2,898
Total Exports	49,498	47,131	54,202	44,889	40,912
*See appendix for sources and additional information.					

<b>Kuwait</b> <b>Key Sectors</b> <b>Agriculture/Food: Agricultural Imports</b> <b>(\$1,000)</b>					
	1997	1998	1999	2000	2001
Meats and Meat Prep	133,758	128,920	126,318	102,713	99,393
Cereals & Preps	210,524	199,145	205,828	216,934	210,837
Dairy Products and Eggs	159,592	162,998	160,240	122,395	127,643
Fruits and Vegetables	258,408	293,104	276,355	270,885	266,902
Beverages and Tobacco	87,131	86,635	99,572	57,162	57,162
Other Agricultural Imports	162,658	176,251	153,974	122,049	122,849
Total Imports	1,264,608	1,301,668	1,275,725	1,130,977	1,132,023
*See appendix for sources and additional information.					

Kuwait Key Sectors Energy: Fossil Fuel Reserves		
Fuel	Units	Value
Coal*	mm st	0.000
Natural Gas**	tcf	52.700
Oil**	billion bbl	98.800
* As of April 23, 2002 ** As of January 1, 2001		
*See appendix for sources and additional information.		

<b>Kuwait</b> <b>Key Sectors</b> <b>Energy: Production and Consumption of Primary Energy</b> <b>(Quads)</b>						
		<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Coal	Production	0.000	0.000	0.000	0.000	0.000
	Consumption	0.000	0.000	0.000	0.000	0.000
	Net Exports	0.000	0.000	0.000	0.000	0.000
Hydro	Production	0.000	0.000	0.000	0.000	0.000
	Consumption	0.000	0.000	0.000	0.000	0.000
	Net Exports	0.000	0.000	0.000	0.000	0.000
Natural Gas	Production	0.343	0.333	0.319	0.355	0.351
	Consumption	0.343	0.333	0.319	0.355	0.351
	Net Exports	0.000	0.000	0.000	0.000	0.000
Nuclear	Production	0.000	0.000	0.000	0.000	0.000
	Consumption	0.000	0.000	0.000	0.000	0.000
	Net Exports	0.000	0.000	0.000	0.000	0.000
Petroleum	Production	4.504	4.683	4.277	4.681	4.500
	Consumption	0.454	0.512	0.599	0.555	0.573
	Net Exports	4.050	4.170	3.678	4.126	3.927
Renewables	Production	0.000	0.000	0.000	0.000	0.000
	Consumption	0.000	0.000	0.000	0.000	0.000
	Net Exports	0.000	0.000	0.000	0.000	0.000
Total	Production	4.847	5.015	4.597	5.036	4.851
	Consumption	0.797	0.845	0.918	0.910	0.924
	Net Exports	4.050	4.170	3.678	4.126	3.927
*See appendix for sources and additional information.						



<b>Kuwait</b> <b>Key Sectors</b> <b>Energy: Production and Consumption of Primary Energy</b> <b>(Standard Units)</b>						
		<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Coal (mm st)	Production	0.000	0.000	0.000	0.000	0.000
	Consumption	0.000	0.000	0.000	0.000	0.000
	Net Exports	0.000	0.000	0.000	0.000	0.000
Hydro	Production	0.000	0.000	0.000	0.000	0.000
	Consumption	0.000	0.000	0.000	0.000	0.000
	Net Exports	0.000	0.000	0.000	0.000	0.000
Natural Gas	Production	4,337.671	4,506.765	4,101.240	4,504.285	4,316.924
	Consumption	327.370	317.835	305.122	339.024	335.493
	Net Exports	4,010.301	4,188.930	3,796.118	4,165.261	3,981.432
Nuclear	Production	0.000	0.000	0.000	0.000	0.000
	Consumption	0.000	0.000	0.000	0.000	0.000
	Net Exports	0.000	0.000	0.000	0.000	0.000
Petroleum	Production	2,116.143	2,200.342	2,012.700	2,193.500	2,117.015
	Consumption	211.910	237.831	285.879	264.422	273.000
	Net Exports	1,904.233	1,962.511	1,726.821	1,929.078	1,844.015
Renewables	Production	0.000	0.000	0.000	0.000	0.000
	Consumption	0.000	0.000	0.000	0.000	0.000
	Net Exports	0.000	0.000	0.000	0.000	0.000
*See appendix for sources and additional information.						

<b>Kuwait</b> <b>Key Sectors</b> <b>Energy: Electric Power Sector Data</b> <b>(Billions of KWH)</b>					
	1997	1998	1999	2000	2001
Electricity Production					
Thermal	25.121	28.185	29.681	30.573	31.492
Hydro	0.000	0.000	0.000	0.000	0.000
Nuclear	0.000	0.000	0.000	0.000	0.000
Renewables	0.000	0.000	0.000	0.000	0.000
<u>Total</u>	25.121	28.185	29.681	30.573	31.492
Electricity Consumption	23.363	26.212	27.603	28.433	29.287
Electricity Imports	0.000	0.000	0.000	0.000	0.000
Electricity Exports	0.000	0.000	0.000	0.000	0.000
Installed Capacity (MW)	6,988.000	6,992.000	7,000.000	8,465.000	8,465.000
*See appendix for sources and additional information.					

World Key Sectors Energy: World Energy Prices						
Commodity	Unit	1998	1999	2000	2001	2002
Coal						
Australian Export FOB	\$/mmbtu	1.220	1.080	0.992	1.221	1.023
US Export FOB	\$/mmbtu	1.430	1.380	1.250	1.700	1.510
US Utilities CIF	\$/mmbtu	1.250	1.220	1.200	1.230	1.220
Crude Oil						
Brent	\$/bbl	12.720	17.810	28.270	24.420	24.970
Dubai	\$/bbl	12.120	17.160	26.080	22.710	23.720
US-RAC	\$/bbl	12.220	17.510	28.230	24.350	24.930
US-WTI	\$/bbl	14.350	19.240	30.330	25.920	26.090
Electricity						
US Industrial	\$/kwh	0.045	0.044	0.046	0.051	0.049
Natural Gas						
Europe Border	\$/mmbtu	2.420	2.130	3.860	4.060	3.050
LNG Japan	\$/mcf	2.910	3.080	4.230	4.340	2.990
US Henry Hub	\$/mmbtu	2.090	2.270	4.310	3.960	3.350
US Wellhead	\$/mcf	1.960	2.190	3.690	4.120	2.800
*See appendix for sources and additional information.						

<b>Kuwait Manufacturing Production From Key Industries</b>						
		<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Food	(MT)					
Beer		n.a.	n.a.	n.a.	n.a.	n.a.
Raw Sugar		n.a.	n.a.	n.a.	n.a.	n.a.
Veg. Oil and Fat		n.a.	n.a.	n.a.	n.a.	n.a.
Wine		390	465	292	292	292
TOTAL		390	465	292	292	292
		1995	1996	1997	1998	1999
Cement	(MT 1000s)	1,950	2,000	2,000	2,000	2,000
Metals	(MT 1000s)					
Aluminum		0	0	0	0	0
Pig Iron		0	0	0	0	0
Raw Steel		0	0	0	0	0
TOTAL		0	0	0	0	0
*See appendix for sources and additional information.						

<b>World Manufacturing World Price Trends</b>						
Commodity	Units	1997	1998	1999	2000	2001
Cement	\$/ton	73.49	76.46	78.27	78.56	76.50
Food						
Beer	2000=100	99.4	104.4	104.3	100.0	109.3
Raw Sugar	2000=100	69.9	74.9	95.3	100.0	91.9
Veg. Oil and Fat	2000=100	71.0	80.3	96.9	100.0	105.3
Wine	2000=100	102.6	100.2	94.2	100.0	107.5
Metals						
Aluminum	\$/lb	0.771	0.655	0.657	0.746	0.688
Steel Mill Products	2000=100	107.4	105.0	97.1	100.0	93.5
*See appendix for sources and additional information.						

Kuwait Manufacturing Mining/Metals: Production						
Commodity	Units	1997	1998	1999	2000	2001
Bauxite	MT1000s	0	0	0	0	0
Copper	MT	0	0	0	0	0
Diamonds	Carats 1000s	0	0	0	0	0
Gold	KG	0	0	0	0	0
Iron Ore	MT 1000s	0	0	0	0	0
Lead	MT	0	0	0	0	0
Nickle	MT	0	0	0	0	0
Phosphates	MT 1000s	0	0	0	0	0
Platinum	KG	0	0	0	0	0
Silver	MT	0	0	0	0	0
Tin	MT	0	0	0	0	0
Zinc	MT	0	0	0	0	0
*See appendix for sources and additional information.						

<b>World Mining/Metals World Mineral Prices</b>						
Commodity	Units	1998	1999	2000	2001	2002
Bauxite	\$/mt	25.30	24.20	26.40	25.65	n.a.
Copper	\$/mt	1,609.23	1,548.12	1,812.93	1,578.00	1,559.00
Diamonds	\$/carat	3.92	4.61	5.31	4.47	n.a.
Gold	\$/ounce	295.00	280.00	280.00	271.00	310.00
Lead	\$/mt	450.00	440.00	454.00	476.00	453.00
Nickle	\$/mt	4,638.90	6,030.57	8,637.19	5,945.00	6,772.00
Phosphates	\$/mt	42.63	51.17	43.80	41.80	40.40
Platinum	\$/ounce	374.61	378.94	549.31	540.00	n.a.
Silver	\$/ounce	5.54	5.25	5.00	4.39	4.63
Tin	\$/mt	5,563.91	5,436.00	5,436.00	4,484.00	4,061.00
Zinc	\$/mt	1,027.29	1,087.71	1,128.00	886.00	779.00
*See appendix for sources and additional information.						

Kuwait Key Sectors Services: Transportation					
	1995	1996	1997	1998	1999
Air Traffic					
Passenger-KM	5,124	6,073	5,997	6,207	n.a.
Ton-KM	797	929	912	932	n.a.
Rail Traffic					
Passenger-KM	n.a.	n.a.	n.a.	n.a.	n.a.
Ton-KM	n.a.	n.a.	n.a.	n.a.	n.a.
Ship Traffic					
Clearances-Tons	1,222	1,223	1,285	1,178	n.a.
Entrances-Tons	10,723	9,676	9,171	9,357	n.a.
Registered-Tons	2,057	2,028	1,984	2,459	2,456
*See appendix for sources and additional information.					

Kuwait Key Sectors Services: Telecommunications					
	1998	1999	2000	2001	2002
Main Lines (1000s)	427	456	467	472	472
Main Lines per 100 persons	22.4	23.1	22.9	22.4	21.6
Mobile Cellular Subscribers					
	250,000	300,000	476,000	877,000	877,900
Mobile Cellular Subscribers per 100 persons	13	15	23	42	40
*See appendix for sources and additional information.					



Kuwait Key Sectors Services: Tourism					
	1996	1997	1998	1999	2000
Tourist Arrivals (1000s)	73	76	77	n.a.	n.a.
Tourist Expenditures Abroad (\$US Millions)	2,492	2,558	2,517	2,510	n.a.
International Tourist Receipts in this Country (\$US Millions)	184	188	207	243	n.a.
*See appendix for sources and additional information.					



## **Chapter 4**

# **Investment Overview**

## Investment Overview

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### Investment Climate

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#### Openness to Foreign Investment

On December 14, 1999, Kuwait's national assembly rejected, on constitutional grounds, the direct foreign investment and stock market opening Amiri decrees that the government of Kuwait had promulgated on June 4, 1999. However, identical pieces of legislation were introduced and recommended out of the economic and finance committee. In May 2000 the national assembly approved legislation opening the Kuwait stock exchange to direct participation by foreigners. Implementing regulations are expected to be in place by the end of the third quarter of 2000. The national assembly is currently reviewing legislation to reduce barriers to foreign investment, including authorizing initial ten-year tax holidays for new foreign investors and the elimination of current restrictions against majority foreign ownership. In some circumstances, the draft law would:

- allow the creation of 100 percent foreign owned subsidiaries;
- guarantee the right to bring in expatriate labor (subject to minimum commitments to employ Kuwaiti workers);
- authorize duty free import of machinery and other equipment;
- guarantee against expropriation without compensation and the right to repatriate capital and profits.

Foreign firms would continue to not be allowed to invest in the upstream petroleum sector, but would be allowed to invest in joint venture petrochemical projects. Foreign firms are still limited to 40 percent ownership of banks. Foreign investment in real estate would remain limited to nationals of the other GCC-member states. Separately, a draft tax bill is under consideration by Kuwait's cabinet that would, inter alia, lower the maximum corporate income tax rate from 55 percent to 30 percent.

The state and the nationalized oil industry have dominated Kuwait's economy since the early 1970's. The government also acquired major holdings in private Kuwaiti firms following stock market crashes in 1979 and 1982. The 1990 Iraqi invasion of Kuwait exacerbated economic problems. After liberation, the government purchased from the banks outstanding debts emanating from the stock market crashes and put through a debt settlement law. The government has begun a successful effort to divest its equity holdings in private firms. To date, it has sold its full holdings in 28 firms and sold off portions of its equity holdings in 17 other firms. The divestiture program has raised approximately US\$ 3.2 billion. Due to weakness in the Kuwait stock exchange since late 1998, the Kuwaiti government has delayed divestiture of a remaining US\$ 2-3 billion in equity holdings in local companies.

Privatization of government entities remains at a standstill. Since 1992, Kuwait's national assembly has had under consideration a bill that would establish a framework for privatizing public utilities, which may pass within the next two years. Concerns that privatization will threaten employment of Kuwaiti workers and that privatization will lead to increases in highly subsidized utility fees make it unlikely that wide-ranging privatization will move forward in the near future. As a test case, the Kuwaiti government has issued a tender for a build-operate-transfer (B-O-T) wastewater treatment facility to be located in Sulaibiya, but there are preliminary signs that at least some members of parliament may try to delay its implementation.

Kuwait's Commercial Law No. 68 of 1980 describes contract and commission agents and commercial representatives and law no. 36 of 1964 requires agents to be Kuwaiti nationals. In the post-liberation period there were exceptions made to these laws during the emergency period, but there have not been any exceptions made recently. It remains a matter of government interpretation whether exceptions are available for particular purchases. Kuwait's Ministry of Defense for example requires that foreign defense contractors deal directly with the ministry and not through agents.

Agent and Distributor Rules require that a local agent be used in all sales transactions, as it currently exists, can create problems for some foreign firms, particularly those that sign an agency agreement hastily without consulting local lawyers.

Amendments have been adopted to Kuwait's commercial law, which permit foreign joint ventures in banking (up to 40 percent ownership), and other changes may, in time, permit GCC branch banking. In addition, the Kuwait Petroleum Company, for the first time in its history, concluded a joint venture agreement through its subsidiary petrochemical industries company with U.S.-based Union Carbide for a major (US\$ 2 billion) investment in petrochemicals.

Screening of foreign investment requires that the licensing authority of the ministry of commerce and industry screens all proposals for direct foreign investment. In the past, this authority has been used to encourage investments in higher technology industries and to discourage investments in sectors in which there was judged to be significant over-capacity; e.g. the pre-gulf war hotel industry.

Major sectors/matters in which foreign investors are denied national treatment or MFN treatment:

- under current laws, some specific sectors of the economy -- including upstream oil development;
- insurance;
- real estate -- have been closed to foreign investment.

Discrimination against foreign investors at the time of the initial investment and after the investment is made: a majority foreign investment is not currently authorized and certain prohibited sectors remain off-limit to foreign investors, i.e. oil and financial services. Differential corporate tax treatment remains an issue as only foreign firms are subject to the corporate income tax.

## Currency Conversion and Transfer Policies

The Kuwaiti Dinar is freely convertible at an exchange rate calculated daily on the basis of a basket of currencies, which is weighted to reflect Kuwait's trade and capital flows. In practice, the Kuwaiti Dinar has closely followed the exchange rate fluctuations of the u.s. dollar. There are no restrictions on current or capital account transactions in Kuwait, beyond a requirement that all foreign exchange purchases be made through a bank or licensed foreign exchange dealer. Equity, loan capital, interest, dividends, profits, royalties, fees and personal savings can all be transferred in or out of Kuwait without hindrance, or shift the activities in directions not solely determined by economic criteria.

## Expropriation and Compensation

There have been no recent cases of expropriation or nationalization involving foreign investments in Kuwait. In the past, when foreign companies were nationalized (as in the case of the nationalization of Kuwait's oil industry during the 1970's), the foreign interests were compensated promptly and effectively. The draft foreign investment legislation would offer specific guarantees against expropriation without compensation and protects the right to repatriate profits and original investments.

## Dispute Settlement

Kuwait does not generally permit international arbitration in the case of commercial or investment disputes. Kuwait, however, is a signatory to the International Center for the Settlement of Investment Disputes (ICSID - also known as the Washington Convention) and the New York Convention of 1958 on the recognition and enforcement of foreign arbitral awards. Clauses specifying recourse to international arbitration are only occasionally written into commercial contracts. As a result, many disputes are still settled in local courts or through traditional commercial and political negotiations. Central bank of Kuwait experts state that Kuwait's judicial system recognizes and enforces foreign judgments only when reciprocal arrangements are in place.

There have been no investment disputes involving American firms in Kuwait for at least the last five years. Commercial disputes are much more common. In both cases, the slow pace of the legal system here can be very frustrating to American claimants.

Kuwait has a developed legal system. It is a civil code system influenced by traditional Islamic Shari Law. As a traditional trading nation, the judiciary here is familiar with international commercial laws. Kuwait has been a GATT member since 1963 and has signed the WTO agreement. Kuwait is not a signatory to the GATT government procurement code.

A feature of Kuwaiti law which foreign business should be aware of is the application of travel bans which may be applied against individuals who have civil or criminal cases registered against them. The

ban prevents individuals from departing Kuwait until the pending matter is settled, or acceptable guarantees are offered. There have been incidents involving foreign businessmen in which former Kuwaiti business partners have managed to have travel bans imposed on their former partners on the basis of allegations of violating Kuwaiti civil or criminal laws. Bans have eventually been lifted if the accused is not found guilty, but typically constitute a significant cost in time and money to American businessmen. While infrequent, such cases highlight the need to take extra care before entering into long-term business relationships in Kuwait.

### **Performance Requirements and Incentives**

Kuwait has a blanket agency requirement that mandates that all foreign companies trading in Kuwait (except with the ministry of defense) either engage a Kuwaiti agent or establish a Kuwaiti company, with majority Kuwaiti ownership and management.

Law No. 37 of 1964 (as modified by laws no. 18/70 and 81/77) governs public tenders in Kuwait and requires a foreign person or company to bid on public tenders through a Kuwaiti agent or partner (article 5), except in the case of the Ministry of Defense. Law No. 37 also specifies the use of local products when available and prescribes a 10 percent price advantage for local firms in government tenders (Articles 3 and 43).

Investment Incentives (e.g. grants, tax deferrals, special access to credit, import quota exceptions, etc.) available to foreign investors and favored treatment given to foreign investors: while there are currently no investment incentives, the draft foreign investment law would authorize exemptions from import duties and corporate income taxes for periods of up to ten years.

Kuwait in June 1993 publicly announced the end of enforcement of the secondary and tertiary Arab League boycotts of Israel. There are occasional reports that some tender requests contain boycott clauses reportable under U.S. anti-boycott laws. This appears to happen as a result of use by government offices of old forms, or mistakes by lower level staff. When drawn to the attention of the government, this language is not enforced. Kuwait has stated that it will wait for Arab League action before eliminating the primary boycott of Israel.

Foreign firm participation in government-financed and/or subsidized research and development programs on a national treatment basis: while there are no specific bars to foreign participation in government-financed or -subsidized research and development, there has been little activity of this type to date. The Kuwait institute for scientific research (KISR) has expressed interest in working with foreign firms. The absence of an effective patent law has made R&D efforts unattractive, but may change if the national assembly approves the new draft patent law.

The counter-trade/offset program established in 1992 offset obligations for supply contracts to the Kuwaiti government worth KD one million or more (about US\$ 3.28 million). Contractors are required to invest 30 percent of the government contract in an approved offset business venture with a Kuwaiti partner in Kuwait, the GCC or the rest of the Arab world. The project must achieve sustainable eco-

conomic benefits; provide new investment opportunities inside Kuwait; help in the transfer of technology to the Kuwaiti private sector; create training opportunities for Kuwaitis; help market local produce overseas; or participate in Kuwait's foreign aid program. Non-performance penalties equivalent to six percent of the value of the contract can be levied. Further details are available from the commercial service at the U.S. embassy in Kuwait or the finance ministry's counter trade offset program executive office.

Discriminatory or excessively onerous visa, residence or work permit requirements, or similar requirements inhibiting foreign investors:

- Kuwait has a stringent visa and work permit regime.
- A local sponsor is required for most work permits.

### **Private Ownership Rights**

Rights to private ownership and establishment are respected in Kuwait, though, as noted above, foreigners face selected restrictions. Licenses from the ministry of commerce and industry are required for the establishment of all new companies. In addition, some sectors of the economy, including oil production and refining, are dominated by state-owned monopolies. Government ownership is common in other sectors of the economy, including banking and insurance, in part as a result of stock interests acquired during rescue programs following the crash of the "Souk Al-Manakh" stock market in 1982. The government divested a large part of these holdings between 1995 and 1998 but has since suspended the program due to a weak local stock market.

Kuwaiti law permits private ownership of property by its citizens, but severely restricts the types of collateral to which creditors may have recourse in the event of default by a borrower. Banks may not foreclose on residential real property or personal property in the event of default, but they may, however, sue the borrower for the balance due under the loan contract. Borrowers normally pledge a portion of their future severance benefits as collateral for a bank loan. Non-GCC foreigners are not permitted to own land.

### **Protection of Property Rights**

Kuwait became a member of the World Intellectual Property Organization (WIPO) in April of 1998. With the Kuwait national assembly's passage of a copyright law in December 1999, Kuwait took a significant step forward in the protection of intellectual property rights. While the new copyright law was specifically intended to bring Kuwait's IPR regime into conformity with its obligations under the WTO agreement on the trade-related aspects of intellectual property rights (TRIPS), several amendments are still required to make it fully TRIPS-compliant. The copyright law took effect February 9, 2000, and has had a noticeable initial impact on reducing copyright piracy activity. Continued effective implementation, including judicial enforcement, will, however, be needed. The national assembly has not yet



voted on the draft patent law that was introduced following the national assembly's rejection of the Amiri patent decree. Action on the draft patent law is expected before the end of 2000.

Even prior to passage of the December 1999 copyright law, Kuwait took several steps to protect intellectual property. In April 1998, Kuwait's minister of planning issued an order banning the use of pirated computer software on Kuwait government computers. In December of 1998, the Kuwait minister of health issued a decree barring the registration for use in Kuwait of any pharmaceutical product that was an unauthorized copy of a product still under patent protection in its country of development.

While Kuwait has had a functioning trademark law since 1962, the penalties under it are low (a maximum fine of US\$2,100). Procedures for application and renewal of trademarks are cumbersome and impose considerable expense on those registering.

Kuwait was lowered to the USTR's Special 301 Watch List, from the priority watch list, in April 2000 following passage of the copyright law and initial implementation. However, passage of patent protection for pharmaceutical products and trips-compliant amendments to the copyright law are still needed.

### **Transparency of Regulatory System**

The government has not adopted a transparent policy or effective laws to foster competition since there is no meaningful antitrust division in the Kuwait government. In addition, there are few tax, labor, health and safety, and other laws and policies designed to avoid distortions or impediments to the efficient mobilization and allocation of investment. Kuwait's low tariff barriers and open market are the most important factors in the allocation and mobilization of investment. While, the Kuwaitis are sophisticated international investors, bureaucratic procedures can be time consuming and prone to the red tape more often encountered when investing in developing countries.

Kuwait has a small, open economy that has generally been able to rely upon a flood of foreign goods and services to maintain fairly competitive conditions. However, where government intervention has occurred, it has tended to favor Kuwaiti citizens and Kuwaiti-owned companies. Income taxes, for instance, are currently levied on foreign corporations and foreign interests in Kuwaiti corporations at rates that range as high as 55 percent of all net income.

### **Political Violence**

Politically motivated damage to projects and/or installations: terrorism in Kuwait is minimal, but the potential for it to occur anywhere in this region is high. The threat of terrorism in Kuwait comes primarily from Iran and Iraq. Iran, in particular, has demonstrated the capability to conduct worldwide terrorist operations through surrogates, and is suspected to have sponsored a wave of terrorist strikes in Kuwait during the 1980's. These included a truck bomb attack against the U.S. Embassy. Iraq was responsible for the attempted attack on former president George Bush during his visit to Kuwait in April 1993. Small-scale bombings of cinema, video and music houses have occurred, but the last such

bombing occurred in early 1994. No group claimed Kuwaiti authorities did not apprehend responsibility and the perpetrators. There have been no politically motivated attacks on U.S. projects and/or installations in Kuwait since liberation in 1991, except for a mysterious drive-by shooting in mid-1993 in which a building housing U.S. contractors was fired upon. More recently, terrorist financier Osama Bin Laden has issued threats against targets that include Kuwait.

## **Corruption and Crime**

The typically lengthy procurement process in Kuwait occasionally results in accusations of attempted bribery or the offering of other inducements by foreign bidders and/or their local agents. This is a crime in Kuwait and there are currently several investigations or trials in progress involving current or former government officials suspected or charged with malfeasance. There have, however, been no convictions of individuals for accepting or offering bribes since the end of the Gulf War. Efforts to improve accountability include passage in 1996 of Law 25 which requires that all companies securing contracts with the government of Kuwait valued at KD100,000 (US\$336,000) or more report all payments they made to Kuwaiti agents or advisors to secure the contract. The law similarly requires entities and individuals in Kuwait to report any payments they received as compensation for securing government contracts.

## **Labor**

Kuwait has a diverse labor force. Kuwaiti nationals occupy most of the top management positions in the private and government sectors of the economy. Moreover, unemployment among Kuwaitis is virtually nonexistent as a result of government policies to promote the hiring of Kuwaitis in both sectors; but underemployment of Kuwaitis is a growing problem. Kuwaitis are outnumbered in the work force, however, by expatriate laborers of diverse backgrounds. While there are a number of American and western European workers in Kuwait, particularly in the higher-skilled positions, the vast majority of expatriate workers are lower paid laborers from other middle eastern countries, south Asia and the Philippines. Prior to the Gulf War, Palestinians occupied many of the country's middle-management positions. Since the war, most such positions have been filled by workers of other nationalities, often Egyptians and South Asians.

Since liberation, the government of Kuwait has adopted policies intended to limit the resident expatriate population, which, before the war, accounted for approximately 80 percent of Kuwait's 700,000-person work force. To enforce this program, the government has instituted a quota system on work permits, forbade the transfer of workers from one sponsor to another within the private sector, and have recently levied new fees on expatriate workers and their families in order to raise the cost of employing foreign workers.

Kuwaiti workers have the right to organize and bargain collectively, but Kuwaiti law prevents the establishment of more than one union per functional area or more than one general confederation. Foreign workers, who still constitute the vast majority of the work force, are permitted by law to join unions as nonvoting members after five years of residence in Kuwait. The right to strike is also recognized for private sector workers, though that right is limited by provisions calling for compulsory

negotiation and, eventually, arbitration in the case of disputes. Kuwaiti labor law prohibits antiunion discrimination.

Separate Kuwaiti labor laws set work conditions in the public and private sectors, with the oil industry treated separately. Forced labor is prohibited, and the minimum age for employment is eighteen years. For most types of work, however, youth as young as 14 may work part-time in some non-industrial positions. A two-tiered labor market ensures high wages for Kuwaiti employees while foreign workers, particularly unskilled laborers, receive substantially lower wages. There is no minimum wage for the private sector; in the public sector, the current effective minimum wage is KD226 (US\$ 741) per month for Kuwaiti bachelors and KD301 (US\$ 987) per month for married Kuwaitis, and KD90 (US\$ 295) per month for non-Kuwaitis. The basic labor law also limits the workweek to 48 hours, provides for a minimum 14 days leave per year and establishes a compensation schedule for industrial accidents. The labor law does not protect domestic servants.

The International Labor Organization's (ILO) committee of experts continues to reiterate its longstanding criticisms of a number of discrepancies between the Kuwaiti labor code and ILO conventions 1, 30 and 87 on hours of work and freedom of association. Areas criticized by the ILO include the prohibition on establishing more than one trade union for a given field; the requirement that a new union must have at least 100 workers; the requirement that foreign workers must reside in Kuwait for five years before joining a trade union; the denial of foreign trade unionists the right to vote and to be elected; the prohibition against trade unions engaging in any political or religious activity; and the reversion of trade union assets to the Ministry of Social Affairs and Labor in the event of dissolution. A new labor law has been under consideration for over 10 years.

### **International Investment Agreements**

Kuwait has signed or initialed bilateral investment agreements with 37 countries. These include agreements with Germany, France, Italy, Russia, China, Romania, Poland, Hungary, Turkey, Malaysia, Jordan, Pakistan, Switzerland, Malta and the United Kingdom. It has initialed agreements on bilateral investment with Denmark, Belgium, the Netherlands, Thailand, the Ukraine, Latvia, Lithuania, Lebanon, Bosnia and Herzegovina, and India.

### **Foreign Trade Zones**

In July 1995 the national assembly passed a law (law no. 26 of 1995) authorizing the ministry of commerce and industry to establish free trade zones in Kuwait. In May 1998 the ministry signed a contract with the privately-owned Kuwait real estate company to operate, manage and market a 50 square kilometer Kuwait free trade zone (KFTZ) at Shuwaikh Port which was inaugurated in November 1999. Many of the current restrictions on foreign investors (majority ownership, corporate tax, etc.) do not apply to offices or plants established in the KFTZ. Interest in the free trade zone is reportedly strong, with about 80 percent of the available space leased.

### **Foreign Investment Statistics**

Kuwaiti public investments abroad consist of the portfolio investments held by the Kuwait Investment Authority, which are now estimated at more than US\$60 billion, and the direct investments of several other Kuwait government entities such as the Kuwait Petroleum Corporation in oil production, refining and distribution. Specific investments of KIA and other government entities are not divulged and are protected by stringent state secrecy laws. In addition, private Kuwaitis hold foreign assets, in the form of both direct and portfolio investments, which are generally believed to be equal to government holdings. Direct U.S. investment in Kuwait was estimated at US\$1 billion by the U.S. Department of Commerce in 1999.

There are only two major foreign investors in Kuwait. One is the Japanese-owned Arabian Oil Company, which holds the Kuwaiti offshore concession in the Partitioned Neutral Zone (PNZ). Union Carbide has a joint venture with KPC's Petrochemical Industries Company for a US\$2 billion dollar petrochemical project (named Equate) which began production in November of 1997. Sprint International has a joint venture with the Ministry of Communications to provide telecommunications services in Kuwait. Investment by other countries in Kuwait is also limited. Many of these are enterprises set up to meet Kuwait's offset requirements.

While U.S.-owned Saudi Texaco has its headquarters located on the Kuwait side of the PNZ, it operates under a Saudi concession for Saudi Arabia's share of the on-shore oil resources in the PNZ.

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## **Taxation**

Corporate taxation in Kuwait is applied only to foreign firms and has become a major problem for firms seeking to establish a permanent business presence in Kuwait. Rates are high, ranging up to 55 percent of gross profits, although the Kuwaiti government is considering a proposal to reduce this rate to 30 percent. Draft foreign investment legislation would authorize tax holidays for new foreign investment in Kuwait.

Exclusions for business expenses are limited in some cases, e.g., a three percent limit on deductions for agent commissions and a similar limit of three percent of gross revenues for all head office expenses in some cases (mainly for turnkey supply and installation-type contracts). Offshore as well as domestic income is taxed. Finally, the tax code is still undeveloped and open to interpretation. This results in some uncertainty regarding tax liability, but U.S. companies comment favorably on the professionalism of the Kuwait tax department.

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Foreign-owned firms and the foreign-owned portions of joint ventures are the only businesses subject to corporate income tax, as high as 55 percent of gross profits in some cases. The government of Kuwait has announced plans to submit legislation that would reduce the maximum corporate income tax rate to 30 percent, but no legislative proposals have been put forward. The new foreign investment law would authorize up to a 10-year tax holiday for new investors. Kuwaiti firms are not subject to the corporate income tax, but those registered on the Kuwait stock exchange are required to contribute 2.5 percent of their national earnings to the Kuwait Fund for the Advancement of Science (KFAS) and will have to contribute an additional 2.5 percent once the new national employment law is implemented. The latter is to be used to finance a government program to give Kuwaitis working in the private sector the same social and family allowances provided to Kuwait's government workers. Kuwait levies no personal income tax.

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## Key Enterprises

<b>Kuwait Key Enterprises</b>		
Company Name	Market Cap USD in millions	Comments
The National Bank of Kuwait	2,908	<a href="http://www.nbk.com.lb/">www.nbk.com.lb/</a>
Mobile Telephone	1,899	Telecommunications
Kuwait Finance House	1,339	<a href="http://www.kfh.com/">www.kfh.com/</a>
The Gulf Bank	1,041	<a href="http://www.gulfbank.com.kw/">www.gulfbank.com.kw/</a>
*See appendix for sources and additional information.		

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## Stock Market

At the end of the 1990s, the Kuwait Stock Exchange had 76 listed companies.

Foreigners (with the exception of nationals from GCC states and Egyptians) are forbidden to trade in Kuwaiti stocks on the Kuwaiti stock exchange, except through the medium of mutual funds. Kuwaitis, GCC nationals and resident expatriates in Kuwait are permitted to purchase shares in a public investment fund launched by the Kuwait Investment Authority (KIA) that consists of shares on the Kuwait stock exchange.

For more information on the Kuwait Stock Exchange, see URL:  
<http://www.alsadon.com/rates.html>.

# **Chapter 5**

## **Social Overview**

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## Social Overview

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### People

The first settlers in Kuwait were from the Uteiba subgroup of the Anaiza tribe that migrated from the central Arabian Peninsula and established Kuwait City in 1710. Their descendants, together with those from other tribes of central Arabia, Iraq and Persia, represent today's Kuwaiti nationals. The result is that less than half the people residing in the state of Kuwait are from the Arabian Peninsula, although the population is primarily Arab in origin.

Many Arabs from nearby nations, such as Iran, and Southeast Asia took up residence in Kuwait because of the prosperity brought by oil production after the 1940s. However, following the liberation of Kuwait from Iraqi occupation in 1991, the Kuwaiti government undertook a serious effort to reduce the expatriate population. The major division within Kuwait's population is between Kuwaiti nationals and immigrants.

Eighty-five percent of Kuwaitis are Muslims (Sunni 70 percent, Shi'a 30 percent). There are very few Kuwaiti Christians. The 83.5 percent literacy rate, one of the Arab world's highest, is due to extensive government support for the education system. Public school education, including Kuwait University, is free and compulsory, but access is restricted for foreign residents. The government sends qualified students abroad for degrees not offered at Kuwait University.

In terms of health and welfare, Kuwait's infant mortality rate of 10.57 deaths per 1,000 live births is one of the best in the Arab world. Indeed, life expectancy at birth for the total population is 76.65 years - 75.72 years for males and 77.62 years for females.

One notable measure used to determine a country's quality of life is the Human Development Index (HDI), which has been compiled annually since 1990 by the United Nations Development Programme (UNDP). The HDI is a composite of several indicators, which measure a country's achievements in three main arenas of human development: longevity, knowledge and education, as well as economic standard of living. In a ranking of 175 countries in 2003, the HDI places Kuwait in the high human development category, at 46th place. Although the concept of human development is complicated and cannot be properly captured by values and indices, the HDI, which is calculated and updated annually, offers a wide-ranging assessment of human development in certain countries, not based solely upon traditional economic and financial indicators.



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## Cultural Etiquette

### Cultural Dos and Taboos

1. There are several styles of greetings in Kuwait and thus, in the case of a first meeting, it is advisable to wait for one's counterpart to initiate the greeting. Westernized men shake hands with other men, whereas a more traditional Arab greeting between men involves each grasping the other's right hand, placing the left hand on the other's right shoulder, and exchanging kisses on the cheek. Note that in this conservative culture, men may kiss men, women may kiss women, but men and women may not kiss in public. Note also that a traditional Arab male may not always introduce his wife. In the case of meetings involving both genders and across cultural lines, a Westernized businesswomen should wait for an Arab man to offer his hand rather than initiating the greeting herself.

2. Note that Kuwaiti men often walk hand in hand. Thus if a Kuwaiti holds your hand, take it as a sign of friendship.

3. Hospitality is a hallmark of Muslim tradition, so once welcomed into a Kuwaiti home, a host will typically be an attentive and considerate host since to be anything less than hospitable would be regarded as lacking in virtue. Consider it a compliment if you encounter a bloody sheep carcass at the entrance to a Kuwaiti home as it means that your host has slaughtered a sheep in your honor.

4. If you are invited to a Kuwaiti home, it is customary to take a gift to the host or hostess. Baked goods or chocolates are good choices, while flowers are acceptable for very Westernized locals. Note, however, that flowers are traditionally used at funerals and weddings. A beautiful ornament, possibly from one's own country, or fine crystal or china, would make better choices. A finely made compass, symbolizing the direction of Mecca to a devout Muslim, would constitute a thoughtful gesture on the part of the giver, and would most assuredly be treasured by the recipient. Note however, that if you effusively admire an item owned by a Kuwaiti, he or she will feel obligated to give it to you, and when offered a gift by a Kuwaiti, it is impolite to refuse.

5. Normally, one should be prepared to remove one's shoes before entering a building or a home. When one removes one's shoes, the soles of the shoes are placed together, preventing the sole from being pointed at anyone. Also, one should never show the bottom of one's feet as it is considered offensive.

6. In conversation, good topic choices include Kuwaiti history, current or modern achievements, sports and culture. Generally, discussions about politics or anything related to Israel or Iraq should be avoided. Men should be careful not to bring up the subject of women unless one's counterpart does so first. A simple inquiry as to the health of a wife or daughter can be considered inappropriate.

7. Social space is a culturally determined trait and visitors should note that Kuwaitis speak to each other at a much closer distance than North Americans. Their sense of closer social space is merely an indicator that this culture has a different understanding of spatial dynamics.
8. One should always use the right hand in preference to the left. The left hand is considered unclean in the Arab world and as such, one should never eat with the left hand. Likewise, one should avoid gesturing with the left hand while making sure that gifts are received with the right hand. Of course, it is acceptable to use both hands when one is insufficient. One should also avoid pointing at another person, and one should never use the North American "thumbs up" gesture as is considered to be vulgar throughout the Arab world.
9. Kuwait is a conservative, Muslim culture and clothing should be appropriate to this environment. Business wear is typically more conventional; suits are the norm for both men and women, although some industries may allow more casual attire to be worn. Women generally should try to be more restrained in regard to makeup and jewelry. Both men and women should dress modestly. Tight, revealing clothing is simply not acceptable. Necklines should be high and sleeves should come to the elbows. Hemlines should be well below the knee, if not ankle length.
10. There are a number of prohibitions and customs involving food that one should adhere to in a Muslim country. For example, one should also note that the consumption of alcohol or pork is disallowed in strict Muslim circles. Meanwhile, all appropriate meats consumed by Muslims should adhere to "hallal" standards. In practice, when one is partaking of a meal, one should not eat everything on the plate. Leaving a little food is a sign that one has had enough to eat.
11. Visitors should be sure to acquaint themselves with the calendar and traditions of Islam, such as the fasting, daily prayer and practices. Praying five times daily, for example. During the period of Ramadan, fasting and prayer is mandatory for Muslims.
12. Similarly, one should always be aware of how Islamic law, which is delineated in the Shari'a, is used as the basis for the legal and juridical structure in Islamic countries. While the violation of traditions may simply be rationalized as ignorance in other countries, they take on far greater meaning in countries where the Islamic religion textures all aspect of society and culture.
13. Be prepared for the strict separation between the genders. Women are usually escorted by male relatives in public, and unrelated men and women should not mingle with one another. If a Kuwaiti man is accompanied by a veiled woman, it is not traditional to introduce her.

## **Business Customs**

Kuwaiti and foreign business community members who have broad experience in the market, give the following suggestions:

1. The official language of Kuwait is Arabic, but English is widely used in business and on signs and notices, making it easy for the non-Arabic speaker to live and work there.
2. Modern Kuwait has adopted many of the business methods and styles of the West, but some differences remain. Most important is that business will only be conducted after a degree of trust and familiarity have been established. Considerable time may be spent exchanging courtesies, and several visits may be needed to secure business.
3. Many Kuwaiti businessmen have been educated or have traveled extensively in the West and are sophisticated in dealing with Americans. For the most part travelers can rely on the usual Western manners and standards of politeness to see them through, with a few additional rules that may be observed (see section called "Cultural Dos and Taboos" in this regard).
4. Private companies work six days a week (Saturday through Thursday). Business hours vary in different parts of the country. Since many companies may be open only until 1 pm on Thursdays, prior to the holy day, Friday, meetings should not be scheduled on either Thursdays or Fridays. Government offices are closed on Thursdays and Fridays, while banks and insurance companies are closed on Fridays and Saturdays.
5. Office hours are generally between 8 to 5 pm, although some companies may work from 8 to 12:30 pm and from 4:30 to 8:30 pm. Appointments and meetings with managers tend to take place after 9 pm, although managers may prefer to meet after 6 pm during the hot summer months. Note, however, that many people leave the country during this period.

**Useful links for students of culture:**

Foreign Language Phrases for Travelers

<http://www.travlang.com/languages/>

National Anthems

<http://www.thenationalanthems.com/>

Holidays Around the World

<http://www.holidayfestival.com/>

International Recipes

[http://members.tripod.com/~GabyandAndy/Internation\\_Recipes.html](http://members.tripod.com/~GabyandAndy/Internation_Recipes.html)

<http://www.world-recipes.info/>

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## Health Advisory

### Health Information for Travelers to Kuwait

The preventive measures you need to take while traveling in the Middle East depend on the areas you visit and the length of time you stay. You should observe the precautions listed in this document in most areas of this region. However, in highly developed areas of Israel, you should observe health precautions similar to those that would apply while traveling in the United States.

Travelers' diarrhea, the number one illness in travelers, can be caused by viruses, bacteria, or parasites, which can contaminate food or water. Infections may cause diarrhea and vomiting (*E. coli*, *Salmonella*, cholera, and parasites), fever (typhoid fever and toxoplasmosis), or liver damage (hepatitis). Make sure your food and drinking water are safe. (See below.)

Malaria is a preventable infection that can be fatal if left untreated. Prevent infection by taking prescription antimalarial drugs and protecting yourself against mosquito bites (see below). A low risk for malaria exists in parts of Iran, Iraq, Oman, Saudi Arabia, Syrian Arab Republic, Turkey, United Arab Emirates, and Yemen. Travelers to risk areas of Oman, Iran, Saudi Arabia, United Arab Emirates, and Yemen should take mefloquine for malaria prevention. Travelers to risk areas of Iraq, Syria, and Turkey should take chloroquine. For specific locations, see Malaria Information for Travelers to the Middle East (<http://www.cdc.gov/travel/regionalmalaria/mideast.htm>).

A certificate of yellow fever vaccination may be **required** for entry into certain of these countries, but only if you are coming from a country in tropical South America or sub-Saharan Africa. (There is no risk for yellow fever in the Middle East.) For detailed information, see Comprehensive Yellow Fever Vaccination Requirements (<http://www.cdc.gov/travel/yelfever.htm>).

Dengue, filariasis, leishmaniasis, onchocerciasis, and plague are diseases carried by insects that also occur in this region. Protecting yourself against insect bites (see below) will help to prevent these diseases.

**CDC Recommends the Following Vaccines (as Appropriate for Age):**

See your doctor at least 4-6 weeks before your trip to allow time for shots to take effect.

- Hepatitis A or immune globulin (IG).
- Hepatitis B, if you might be exposed to blood (for example, health-care workers), have sexual contact with the local population, stay longer than 6 months, or be exposed through medical treatment.
- Meningococcal vaccine is required for pilgrims to Mecca for the annual Hajj. However, CDC currently recommends the vaccine for all travelers to Mecca, including those traveling for the Umra. (For more information, please see Meningococcal Disease Among Travelers to Saudi Arabia at URL <http://www.cdc.gov/travel/saudimenin.htm>.)
- Rabies, if you might be exposed to wild or domestic animals through your work or recreation.
- Typhoid, particularly if you are visiting developing countries in this region.
- As needed, booster doses for tetanus-diphtheria and measles, and a one-time dose of polio for adults. Hepatitis B vaccine is now recommended for all infants and for children ages 11-12 years who have not completed the series.

**All travelers should take the following precautions, no matter the destination:**

- Wash hands often with soap and water.
- Because motor vehicle crashes are a leading cause of injury among travelers, walk and drive defensively. Avoid travel at night if possible and always use seat belts.
- Always use latex condoms to reduce the risk of HIV and other sexually transmitted diseases.
- Don't eat or drink dairy products unless you know they have been pasteurized.
- Don't share needles with anyone.
- Eat only thoroughly cooked food or fruits and vegetables you have peeled yourself. Remember: **boil it, cook it, peel it, or forget it.**
- Never eat undercooked ground beef and poultry, raw eggs, and unpasteurized dairy products. Raw shellfish is particularly dangerous to persons who have liver disease or compromised immune systems.

**Travelers visiting undeveloped areas should take the following precautions:****To Stay Healthy, Do:**

- Drink only bottled or boiled water, or carbonated (bubbly) drinks in cans or bottles. Avoid tap water, fountain drinks, and ice cubes. If this is not possible, make water safer by BOTH filtering through an "absolute 1-micron or less" filter AND adding iodine tablets to the filtered water. "Absolute 1-micron filters" are found in camping/outdoor supply stores.
- If you visit an area where there is risk for malaria, take your malaria prevention medication before, during, and after travel, as directed. (See your doctor for a prescription.)
- Protect yourself from insects by remaining in well-screened areas, using repellents (applied sparingly at 4-hour intervals), and wearing long-sleeved shirts and long pants from dusk through dawn.
- To prevent fungal and parasitic infections, keep feet clean and dry, and do not go barefoot.

**To Avoid Getting Sick:**

- Don't eat food purchased from street vendors.
- Don't drink beverages with ice.
- Don't handle animals (especially monkeys, dogs, and cats), to avoid bites and serious diseases (including rabies and plague). (For more information, please see the Animal-Associated Hazards on the Making Travel Safe page at URL <http://www.cdc.gov/travel/safety.htm>.)
- Don't swim in fresh water. Salt water is usually safer. (For more information, please see the Swimming Precautions on the Making Travel Safe page.)

**What You Need To Bring with You:**

- Long-sleeved shirt and long pants to wear while outside whenever possible, to prevent illnesses carried by insects (e.g., malaria, dengue, filariasis, leishmaniasis, and onchocerciasis).
- Insect repellent containing DEET (diethylmethyldtoluamide), in 30%-35% strength for adults and 6%-10% for children.
- Over-the-counter antidiarrheal medicine to take if you have diarrhea.
- Iodine tablets and water filters to purify water if bottled water is not available. See Do's above for more details about water filters.
- Sunblock, sunglasses, hat.
- Prescription medications: make sure you have enough to last during your trip, as well as a copy of the prescription(s).

**After You Return Home:**

If you have visited an area where there is risk for malaria, continue taking your malaria medication weekly for 4 weeks after you leave the area. If you become ill-even as long as a year after your trip-tell your doctor the areas you have visited.

**For More Information:**

Ask your doctor or check the CDC web sites for more information about protecting yourself against diseases that occur in the Middle East, such as:

**For information about diseases-****Carried by Insects**

Dengue Malaria - General Information - Prescription Drugs Plague

**Carried in Food or Water**

Cholera *Escherichia coli* diarrhea Hepatitis A Schistosomiasis Typhoid Fever

**Person-to-Person Contact**

Hepatitis B HIV/AIDS - Prevention - HIV-Infected Travelers

For more information about these and other diseases, please check the Diseases (<http://www.cdc.gov/travel/diseases.htm>) section and the Health Topics A-Z (<http://www.cdc.gov/health/diseases.htm>).

Note:

Kuwait is located in the Middle East health region.

Sources:

The Center for Disease Control Destinations Website:

<http://www.cdc.gov/travel/destinat.htm>





## **Chapter 6**

# **Environmental Overview**

## Environmental Overview

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### Environmental Issues

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#### General Overview

Kuwait's most pressing environmental challenge is its limited water resources. In this regard, Kuwait has developed some of world's largest and most sophisticated desalination facilities, which now provide much of Kuwait's water.

#### Current Issues

Key current environmental issues in Kuwait include the following:

- limited natural fresh water resources
- air and water pollution
- desertification

#### Natural Hazards

Major natural hazards include sudden cloudbursts. These are common from October to April, and they bring inordinate amounts of rain, which can damage roads and houses. Sandstorms and dust storms occur throughout the year, but are most common between March and August.

#### Regulation and Jurisdiction

Regulation and protection of the environment in Kuwait comes under the jurisdiction of the Environmental Protection Council.

#### International Accords

The major international agreements which Kuwait is party to include Climate Change, Environmental Modification, Hazardous Wastes, Law of the Sea, Nuclear Test Ban, and Ozone Layer Protection. The Biodiversity, Desertification, Endangered Species, and Marine Dumping agreements have all been signed, but not ratified.

## Pollution Trends

Kuwait Greenhouse Gas Emissions (Millions of Metric Tons/yr)					
	1997	1998	1999	2000	2001
Coal	0.0000	0.0000	0.0000	0.0000	0.0000
Natural Gas	5.1900	5.0400	4.8500	5.3600	5.3100
Petroleum	9.0900	10.3100	11.6000	10.7400	11.0900
Total	14.2800	15.3500	16.4500	16.1000	16.3900
Greenhouse Gases Per Capita	*7.7772	*8.0572	*8.3353	*7.8834	*7.7633
*Metric Tons Per Person/yr.					
*See appendix for sources and additional information.					



# Appendices

## Appendices

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### Data Table Sources

#### Real GDP Per Capita

Real Gross Domestic Product US \$'s..... *CIA Factbook, GDP Growth Rates, Countrywatch Estimates*  
 Real GDP Per Capita US\$..... *CIA Fact Book, CWC Calculations; US Census Dept.*  
 Total Population..... *US Census Department, International Database*

#### Growth Rates: Real GDP, Population, Real GDP Per Capita

Real GDP Growth Rate % ..... *World Economic Outlook (WEO) 4/03*  
 Real Gross Domestic Product Per Capita Growth Rate..... *CIA Factbook, U.S. Dept of Census, CWC GDP Calculations*  
 Population Growth Rate..... *US Census Dept; CWC Calculations*

#### GDP/Employment by Sector of Origin

#### Money Supply, Interest Rates, Foreign Exchange Reserves

Foreign Exchange Reserves..... *IFS 11d*  
 Money Supply 1 (MS1) Growth Rate..... *IFS 34*  
 Money Supply 1 (MS1) ..... *IFS 34*  
 Money Supply 2 (MS2) Growth Rate..... *IFS 35*  
 Money Supply 2 (MS2) ..... *IFS 35*  
 Total Interest Rate Amount 1..... *IFS 60*  
 Interest Rate Number 2..... *IFS 60p*

#### Prices and Exchange Rates

Exchange Rate Currency per \$US (Average)..... *IFS rh*  
 Exchange Rate Annual % Growth..... *IFS rh*  
 Consumer Prices..... *IFS 64*  
 Inflation Rate (% Growth in Consumer Prices)..... *IFS 64*

#### Unemployment Rate

#### Gross Domestic Product

Gross Fixed Capital Formation..... *IFS 91f.c*  
 Government Consumption..... *IFS 91f.c*  
 GDP Growth Rate (%)..... *IFS 99b.c*  
 Gross Domestic Product..... *IFS 99b.c*  
 Exports of Goods & Services..... *IFS 90c.c*  
 Imports of Goods & Services..... *IFS 98c.c*  
 Increase/Decrease(-) in Stocks..... *IFS 93i.c*  
 Private Consumption..... *IFS 96f.c*

**Government Sector**

Fiscal Deficit (-) Surplus ..... *IFS 80*  
 Government Expenditures..... *IFS 82z, Central Bank of Kuwait*  
 Government Revenue..... *IFS 81y*

**External Debt Position**

*IMF International Financial Statistics*

**Trade Balance**

Total Exports..... *IFS 90c.c*  
 Total Imports..... *IFS 98c.c*  
 Trade Balance..... *IFS 90c.c*

**Balance of Payments**

Current Account (Percent of GDP)..... *Current Account Calculations (described above); IFS 99b.c*  
 Capital & Financial Account..... *IFS 78bcd + 78bjd*  
 Current Account..... *Total of Foreign Balance of Goods and Services, Net Factor Income and Net Transfers*  
 Foreign Balance on Goods and Services..... *IFS 78afd*  
 Foreign Net Current Transfers..... *IFS 78ajd-78akd*  
 Net Errors & Omissions..... *IFS 78cad*  
 Foreign Net Investment Income..... *IFS 78agd- 78ahd*  
 Official Foreign Currency Reserves..... *IFS 1ld*  
 Overall Balance..... *Total of Current Account, Capital & Financial Accounts, and Net Errors and Omissions*

**Major Trading Partners**

*International Monetary Fund, Direction of Trade Statistics Yearbook*

**Production of Primary Crops**

*Food and Agricultural Organization of the United Nations (<http://apps.fao.org/>)*

**Production of Meat**

*Food and Agricultural Organization of the United Nations (<http://apps.fao.org/>)*

**World Agricultural Prices**

World Agricultural Prices (Bananas)..... *Bananas (Central & South America), major brands, free on truck (f.o.t)*  
 World Agricultural Prices (Barley)..... *U.S. National Level Prices - USDA*  
 World Agricultural Prices (Beef)..... *U.S. National Level Prices - USDA*  
 World Agricultural Prices (Cocoa)..... *International Cocoa Organization daily price*  
 World Agricultural Prices (Chicken)..... *Boilers - US National Price Estimates - USDA*  
 World Agricultural Prices (Fish Meal)..... *(any origin) Hamburg nfs*  
 World Agricultural Prices (Lamb)..... *New Zealand, frozen whol carcasses, wholesale price, Smithfield market, London*  
 World Agricultural Prices (Maize)..... *US, no. 2 yellow, f.o.b. US gulf ports*  
 World Agricultural Prices (Pork)..... *Hogs - U.S. National Level Prices - USDA*  
 World Agricultural Prices (Soybeans)..... *US Soybeans, c.i.f. Rotterdam*  
 World Agricultural Prices (Sugar)..... *US Import Price, nearest future, c.i.f. New York*

World Agricultural Prices (Wheat)..... *Wheat (U.S.) no. 1 hard red winter, ordinary protein, export price delivered at the Gulf port for prompt or 30 days shipment*  
 World Agricultural Prices (Wood)..... *Logs (Malaysia, dark red seraya/meranti), select and better qualify, General Market Specification (GMS), width 6 inches or more, average 7 to 8 inches*

### **World Agricultural Prices**

*Food and Agricultural Organization of the United Nations (<http://apps.fao.org/>)*

### **Agricultural Exports**

*Food and Agricultural Organization of the United Nations (<http://apps.fao.org/>)*

### **Agricultural Imports**

*Food and Agricultural Organization of the United Nations (<http://apps.fao.org/>)*

### **Fossil Fuel Reserves**

*U.S. Department of Energy (<http://www.energy.gov/>)*

### **Production and Consumption of Energy (QUADS)**

*U.S. Department of Energy (<http://www.energy.gov/>)*

### **Production and Consumption of Energy (Standard Units)**

*U.S. Department of Energy (<http://www.energy.gov/>)*

### **Electric Power Sector Data**

*U.S. Department of Energy (<http://www.energy.gov/>)*

### **World Energy Prices**

*U.S. Department of Energy (<http://www.energy.gov/>)*

### **Production from Key Industries**

*US Geological Survey (<http://www.usgs.gov/>) and Food and Agricultural Organization of the United Nations (<http://apps.fao.org/>)*

### **World Price Trends**

*US Geological Survey (<http://www.usgs.gov/>) and Food and Agricultural Organization of the United Nations (<http://apps.fao.org/>)*

### **Mining/Metals Production**

*US Geological Survey (<http://www.usgs.gov/>)*

### **World Mineral Prices**

*US Geological Survey (<http://www.usgs.gov/>)*



**Transportation***United Nations Statistical Yearbook***Telecommunications***United Nations Statistical Yearbook***Tourism***World Tourism Organization***Key Enterprises**Key Enterprise 1..... <http://specials.ft.com/ft500/may2001/index.html>Key Enterprise 2..... <http://specials.ft.com/ft500/may2001/index.html>Key Enterprise 3..... <http://specials.ft.com/ft500/may2001/index.html>Key Enterprise 4..... <http://specials.ft.com/ft500/may2001/index.html>

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**Abbreviations**

bbl	barrel
bcf	billion cubic feet
bpd	barrels per day
btu	British thermal unit
bu	bushel
ct	carat
eop	end of period
GMT	Greenwich Mean Time
IMF	International Monetary Fund
km	kilometer
kwh	kilowatt hour
lb	pound
m	thousand (1,000)
mcf	thousand cubic feet
mm	million (1,000,000)
mw	megawatts
mt	metric ton
tcf	trillion cubic feet
quad	quadrillion btus
st	short ton
UN	United Nations
US	United States
USD	US Dollar

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**Alphabetical List of Countries**

Afghanistan

Germany

Nigeria

Albania

Ghana

Norway

Algeria

Greece

Oman

Andorra	Grenada	Pakistan
Angola	Guatemala	Palau
Antigua	Guinea	Panama
Argentina	Guinea-Bissau	Papua New Guinea
Armenia	Guyana	Paraguay
Australia	Haiti	Peru
Austria	Holy See	Philippines
Azerbaijan	Honduras	Poland
Bahamas	Hungary	Portugal
Bahrain	Iceland	Qatar
Bangladesh	India	Romania
Barbados	Indonesia	Russia
Belarus	Iran	Rwanda
Belgium	Iraq	Saint Kitts & Nevis
Belize	Ireland	Saint Lucia
Benin	Israel	Saint Vincent & Grenadines
Bhutan	Italy	Samoa
Bolivia	Jamaica	San Marino
Bosnia-Herzegovina	Japan	Sao Tome & Principe
Botswana	Jordan	Saudi Arabia
Brazil	Kazakhstan	Senegal
Brunei	Kenya	Serbia & Montenegro
Bulgaria	Kiribati	Seychelles
Burkina Faso	Korea, North	Sierra Leone
Burundi	Korea, South	Singapore
Cambodia	Kuwait	Slovakia
Cameroon	Kyrgyzstan	Slovenia
Canada	Laos	Solomon Islands
Cape Verde	Latvia	Somalia
Central African Republic	Lebanon	South Africa
Chad	Lesotho	Spain
Chile	Liberia	Sri Lanka

China	Libya	Sudan
Colombia	Liechtenstein	Suriname
Comoros	Lithuania	Swaziland
Congo (DRC)	Luxembourg	Sweden
Congo (RC)	Macedonia (FYROM)	Switzerland
Costa Rica	Madagascar	Syria
Cote d'Ivoire	Malawi	Tajikistan
Croatia	Malaysia	Tanzania
Cuba	Maldives	Thailand
Cyprus	Mali	Togo
Czech Republic	Malta	Tonga
Denmark	Marshall Islands	Trinidad & Tobago
Djibouti	Mauritania	Tunisia
Dominica	Mauritius	Turkey
Dominican Republic	Mexico	Turkmenistan
East Timor	Micronesia	Tuvalu
Ecuador	Moldova	Uganda
Egypt	Monaco	Ukraine
El Salvador	Mongolia	United Arab Emirates
Equatorial Guinea	Morocco	United Kingdom
Eritrea	Mozambique	United States
Estonia	Myanmar	Uruguay
Ethiopia	Namibia	Uzbekistan
Fiji	Nauru	Vanuatu
Finland	Nepal	Venezuela
France	Netherlands	Vietnam
Gabon	New Zealand	Yemen
Gambia	Nicaragua	Zambia
Georgia	Niger	Zimbabwe

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